



Capital Impact Investment Notes

Up to \$150,000,000

Interest rates set with each offering

Total Aggregate Offering	\$150,000,000
Term/Maturity	Various terms of up to 15 years
Interest Rates	Interest rates will be fixed rate and are set at the time of issuance and are determined by current market conditions. Interest rates will be set forth in the accompanying pricing supplement.
Minimum Investment Requirement	\$1,000
Status	Unsecured debt obligations

Lead Agent

Incapital

Investor dollars are not used to pay sales concessions or any other expenses of the offering.

Prospectus dated August 6, 2020

Included in this Prospectus is the essential information related to the Capital Impact Investment Notes (the “Notes”), fixed income securities that raise capital to financially support impact investments targeted towards underserved communities across the United States. Prospective investors are advised to read this Prospectus carefully prior to making any decisions to invest in the Notes. The Notes are issued by Capital Impact Partners (“Capital Impact”), a District of Columbia nonprofit corporation organized at the direction of the United States Congress that is a tax-exempt Internal Revenue Code 501(c)(3) public charity and is a Community Development Financial Institution (“CDFI”) certified by the U.S. Department of the Treasury Community Development Financial Institutions Fund (the “CDFI Fund”). Capital Impact’s national headquarters are located at 1400 Crystal Drive, Suite 500, Arlington, Virginia 22202. Capital Impact’s telephone number is (703) 647-2300. Specific terms of the Notes will be described in a separate pricing supplement. The Notes will be global book-entry Notes, which means that they may be purchased electronically through a prospective investor’s brokerage account and settled through the Depository Trust Company (“DTC”).

Capital Impact will offer Notes through registered broker-dealers. The Notes may be offered to or through Incapital LLC as lead agent for resale (“Lead Agent”) to other registered broker-dealers. Incapital LLC, or any other Agent appointed by Capital Impact, is not required to purchase or sell any specific amount of Notes but will sell the Notes on a best-efforts basis. Through this offering with Incapital LLC, Capital Impact expects to receive net proceeds from sales after sales compensation to Incapital LLC based on the maturity of the Notes sold, ranging from \$997 per \$1,000 of 1-year Notes to \$975 per \$1,000 of 15-year Notes. Capital Impact estimates that the total expenses of the offering excluding sales compensation will be approximately \$300,000, or .2% of the total aggregate, resulting in estimated net proceeds ranging from \$145,950,000 to \$149,250,000 if the total amount of Notes being offered are sold.

The Notes are subject to certain risks, discussed in the section entitled “Risk Factors” beginning on page 17.

Investors are cautioned not to rely on any information not expressly set forth in this Prospectus (or any related pricing supplement). Investors are advised to read this Prospectus and any related pricing supplement carefully prior to making any decision to purchase the Notes. No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this Prospectus, and if given or made, such information or representation must not be relied upon as having been made by Capital Impact.

This Prospectus and any related pricing supplement are intended to provide potential investors with information necessary to make an informed investment decision. However, nothing contained herein is intended as legal, accounting, tax or investment advice, and it should not be taken as such. A prospective investor should consult his or her own legal, tax and/or financial advisor concerning potential investments in the Notes. An investor must rely on his or her own evaluations of Capital Impact, the Notes, and the terms of this offering, including the merits and risks involved.

In this Prospectus and in the course of its operations, Capital Impact will make a number of forward-looking statements. The words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” and other similar expressions identify forward-looking statements, which speak only as of the date the statement was made. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying these forward-looking statements. Statements in this Prospectus, including

those contained in the section entitled “Risk Factors,” describe factors, among others, that could contribute to or cause such differences.

Neither the Notes nor the adequacy of this Prospectus have been approved, disapproved, or passed on by the Securities and Exchange Commission (the “SEC”), any state securities commission, or any other regulatory body. Any representation to the contrary is a criminal offense.

None of the SEC, any state securities commission, nor any other regulatory body have passed upon whether the offering can be sold in compliance with existing or future suitability or conduct standard, including the “best interest” standard established pursuant to Regulation Best Interest (“Reg BI”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Regulation Best Interest.

The SEC has adopted Reg BI, which currently has a compliance date of June 30, 2020. Reg BI establishes a new standard of conduct for broker-dealers and their associated persons when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer. A retail customer is any natural person, or the legal representative of such person, who receives a recommendation of any securities transaction or investment strategy involving securities from a broker-dealer and uses the recommendation primarily for personal, family, or household purposes. When making such a recommendation, a broker-dealer and its associated persons must act in the best interest of such retail customer when making a recommendation to purchase bonds in this offering, without placing their financial or other interest ahead of the retail customer’s interests. This standard is different and higher than the current suitability standard applied by the Financial Industry Regulatory Authority, a self-regulatory organization for broker-dealers. Under Reg BI, the SEC rules, the broker-dealer must meet four component obligations:

- **Disclosure Obligation:** The broker-dealer must provide certain required disclosures, including details about their services and fee structures, before or at the time of the recommendation about the recommendation and the relationship between the broker-dealer and its retail customer. The disclosure includes a customer relationship summary on Form CRS. The broker-dealer’s disclosures are separate from the disclosures we provide to investors in this prospectus.
- **Care Obligation:** The broker-dealer must exercise reasonable diligence, care, and skill in making the recommendation.
- **Conflict of Interest Obligation:** The broker-dealer must establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest.
- **Compliance Obligation:** The broker-dealer must establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg BI.

There is no case or administrative law under *Regulation Best Interest* because it is new and not effective yet, and therefore the scope and applicability of Reg BI to the offering is uncertain.

The Notes are not and will not be insured or guaranteed by the Federal Deposit Insurance Company (“FDIC”), the Securities Investment Protection Corporation (“SIPC”), or any other agency.

This Prospectus does not constitute an offer nor the solicitation of an offer to sell to any person in any state or any other political jurisdiction in which such offer or solicitation may not lawfully be made. This Prospectus does not constitute an offer by a broker-dealer in any state where said broker-dealer is not qualified to act as a broker-dealer. Federal and state securities laws may affect Capital Impact's ability to continue to sell the Notes in certain states. As of the date hereof, the Notes will be offered for sale in the United States, excluding the State of Arkansas and the State of Washington.

The Notes are being offered under an exemption from federal registration pursuant to Section 3(a)(4) of the Securities Act of 1933, as amended (the "Securities Act"), and Section 3(c)(10) of the Investment Company Act of 1940, as amended (the "Investment Company Act"). The SEC has not made an independent determination that these Notes are exempt from registration.

There is not expected to be any secondary market in the Notes. The Notes may not be transferred or resold except as permitted under the Securities Act and Exchange Act, and applicable state securities laws. Accordingly, investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Incapital LLC has advised Capital Impact that at its discretion it may purchase and sell Notes, but that it is not obligated to buy or sell Notes or make a market in the Notes and may suspend or permanently cease that activity at any time.

The Notes will be offered on a continuous basis. Capital Impact has not set a date for termination of this offering in the event it elects to terminate the offering prior to the sale of the total aggregate offering amount.

FOR RESIDENTS OF ALABAMA ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 37(H) OF THE ALABAMA SECURITIES ACT AND SECTION 3(A)(4) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION OR WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION. NEITHER THE ALABAMA SECURITIES COMMISSION NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED OF THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR RESIDENTS OF CALIFORNIA ONLY:

CAPITAL IMPACT HAS REGISTERED TO SELL UP TO \$150,000,000 OF NOTES PURSUANT TO THIS PROSPECTUS DURING A 12-MONTH PERIOD.

FOR RESIDENTS OF FLORIDA ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED IN THE STATE OF FLORIDA. THE SECURITIES WILL BE SOLD PURSUANT TO THE ELEEMOSYNARY EXEMPTION IN FLORIDA STATUTES SECTION 517.015(9).

FOR RESIDENTS OF GEORGIA ONLY:

THESE SECURITIES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES COMMISSIONER OF THE STATE OF GEORGIA PURSUANT TO RULE 590-4-2-.07. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

IN ORDER TO REMAIN IN COMPLIANCE WITH THE POLICIES ESTABLISHED BY THE GEORGIA DIVISION OF SECURITIES AND BUSINESS REGULATION, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 12) WILL NOT BE OFFERED TO GEORGIA INVESTORS.

CAPITAL IMPACT HAS FILED NOTICE TO SELL UP TO \$150,000,000 OF THE NOTES IN THE STATE OF GEORGIA. IF AND WHEN \$150,000,000 IN THE NOTES HAVE BEEN SOLD IN THE STATE OF GEORGIA, UNDER THIS EXEMPTION, WHICH INCLUDES NEW SALES AS WELL AS RENEWALS, CAPITAL IMPACT MUST FILE NOTICE OF A NEW ISSUE OF SECURITIES IN THE STATE OF GEORGIA BEFORE IT MAY EFFECT ANY ADDITIONAL NEW SALES OR RENEWALS.

AS REQUIRED BY STATE LAW, ALL RESIDENTS OF GEORGIA HAVE THE OPTION OF RESCINDING THEIR INVESTMENT WITHIN 72 HOURS OF THE EXECUTION OF A WRITTEN AGREEMENT TO PURCHASE OR TO REINVEST A NOTE AT MATURITY. PLEASE NOTE THAT NO INVESTOR IN THE STATE OF GEORGIA HAS EVER EXERCISED THIS OPTION.

FOR RESIDENTS OF INDIANA ONLY:

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR RESIDENTS OF KENTUCKY ONLY:

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

FOR RESIDENTS OF LOUISIANA ONLY:

THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA UNDER SECTION 51-705(B) OF THE LOUISIANA REVISED STATUTES. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF THESE SECURITIES.

FOR RESIDENTS OF MICHIGAN ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO A REGISTRATION ORDER ISSUED BY THE STATE OF MICHIGAN. THE STATE OF MICHIGAN DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE TRUTH, MERITS, OR COMPLETENESS OF ANY PROSPECTUS OR ANY OTHER INFORMATION FILED WITH THIS STATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR RESIDENTS OF OHIO ONLY:

IN ORDER TO REMAIN IN COMPLIANCE WITH POLICIES ESTABLISHED BY THE OHIO DIVISION OF SECURITIES, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 12) WILL NOT BE OFFERED TO OHIO INVESTORS. OHIO INVESTORS SHALL NOT INVEST MORE THAN 10% OF THEIR LIQUID NET WORTH IN THE ISSUER, AFFILIATES OF THE ISSUER, AND IN ANY OTHER NON-TRADED DEBT INVESTMENT PROGRAM. "LIQUID NET WORTH" IS DEFINED AS THAT PORTION OF NET WORTH (TOTAL ASSETS EXCLUSIVE OF PRIMARY RESIDENCE, HOME FURNISHINGS, AND AUTOMOBILES, MINUS TOTAL LIABILITIES) COMPRISED OF CASH, CASH EQUIVALENTS, AND READILY MARKETABLE SECURITIES.

FOR RESIDENTS OF OREGON ONLY:

IN ORDER TO REMAIN IN COMPLIANCE WITH POLICIES ESTABLISHED BY THE OREGON DIVISION OF FINANCE AND CORPORATE SECURITIES, AUTOMATIC REINVESTMENT AT MATURITY (AS DISCUSSED ON PAGE 12) WILL NOT BE OFFERED TO OREGON INVESTORS. CAPITAL IMPACT WILL REGISTER TO SELL \$150,000,000 OF NOTES IN OREGON PURSUANT TO THIS PROSPECTUS DURING A 12-MONTH PERIOD.

FOR RESIDENTS OF PENNSYLVANIA ONLY:

A REGISTRATION STATEMENT WITH RESPECT TO THE SECURITIES OFFERED BY THIS PROSPECTUS HAS BEEN FILED IN THE OFFICES OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES IN HARRISBURG, PENNSYLVANIA. SUCH REGISTRATION STATEMENT INCLUDED CERTAIN EXHIBITS ONLY SUMMARIZED OR ALLUDED TO IN THE PROSPECTUS, AND ARE AVAILABLE FOR INSPECTION AT THE HARRISBURG OFFICE OF THE COMMISSION DURING REGULAR BUSINESS HOURS. THE HARRISBURG OFFICE IS LOCATED IN MARKET SQUARE PLAZA, 17 N SECOND STREET, SUITE 1300, HARRISBURG, PENNSYLVANIA, 17101. REGULAR BUSINESS HOURS ARE MONDAY THROUGH FRIDAY, 8:30 AM TO 5:00 PM.

IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES MADE PURSUANT TO A PROSPECTUS WHICH CONTAINS A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(M) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS AFTER THE FIRST TIME YOU HAVE RECEIVED THIS NOTICE AND A PROSPECTUS (WHICH IS NOT MATERIALLY DIFFERENT FROM THE FINAL PROSPECTUS) TO WITHDRAW FROM YOUR PURCHASE AGREEMENT AND RECEIVE A FULL REFUND OF ALL MONEYS PAID BY YOU. YOUR WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO CAPITAL IMPACT OR INCAPITAL LLC INDICATING YOUR INTENTION TO WITHDRAW. IT IS THE POSITION OF THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES THAT INDEMNIFICATION IN CONNECTION WITH VIOLATION OF SECURITIES LAWS IS AGAINST PUBLIC POLICY AND VOID.

FOR RESIDENTS OF TENNESSEE ONLY:

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

The paying agent for global book-entry Notes is U.S. Bank National Association ("U.S. Bank"), located at 100 Wall Street, Suite 1600, New York, NY 10005 ("Paying Agent").

The Lead Agent authorized to affect sales of the Notes through its selling group is Incapital LLC, located at 200 South Wacker Drive, Suite 3700, Chicago, IL 60606. Incapital LLC has been authorized by Capital Impact to offer the Notes for sale and resell the Notes to other registered broker-dealers that are members of Incapital LLC's network of selected dealers.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

FORWARD-LOOKING STATEMENTS

Statements contained in this Prospectus that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. Also, when Capital Impact uses any of the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “intend” or similar expressions, it is making forward-looking statements. These forward-looking statements are not guaranteed and are based on Capital Impact’s present intentions and on Capital Impact’s present expectations and assumptions. These statements, intentions, expectations and assumptions involve risks and uncertainties, some of which are beyond Capital Impact’s control, that could cause actual results or events to differ materially from those anticipated or projected. Purchasers of Notes should not place undue reliance on these forward-looking statements, as events described or implied in such statements may not occur. Except as required by law, Capital Impact undertakes no obligation to update or revise any forward-looking statements as a result of new information, future events or otherwise.

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OFFERING SUMMARY

This section summarizes the legal and financial terms of the Notes that are described in more detail in the section entitled “Description of the Notes” beginning on page 50. Final terms of any particular Note, including the public offering price, will be determined at the time of sale and will be contained in the accompanying pricing supplement relating to those Notes. The terms in that pricing supplement may vary from and supersede the terms contained in this Prospectus, including the terms contained in this summary section and in the section entitled “Description of the Notes.” Before making a decision to purchase a Note, investors are advised to read the more detailed information appearing elsewhere in this Prospectus and in the accompanying pricing supplement.

Key Investment Terms	
Issuer	Capital Impact Partners, a District of Columbia nonprofit corporation and certified CDFI.
Securities Offered	Up to \$150,000,000 of Capital Impact Investment Notes.
Authorized Denominations	Minimum investment of \$1,000.
Term of Investments	Notes may be purchased for terms of 1 year, 3 years, 5 years, 7 years, 10 years, or 15 years.
Interest Rates and Payment Options	Interest rates will be fixed rate and are set at the time of issuance and are determined by current market conditions. Interest rates for the Notes will be set forth in the accompanying pricing supplement relating to those Notes. Interest payments will be made quarterly.
Offering Period	No termination date has been set for this offering.
Note Purchases	The Notes are available for purchase in book-entry form, which means they may be purchased electronically through the investor’s brokerage account and settled through DTC. As of the date hereof, the Notes will be offered and sold only in the United States, excluding the State of Arkansas and the State of Washington, and any territories thereof.
Use of Proceeds	The proceeds of the offering will be used primarily to fund initiatives that meet critical

	<p>needs in low-income communities across the United States, including through Capital Impact's subsidiaries, affiliates, strategic partners, joint ventures and third-party intermediaries. Capital Impact may allow investors who offer to purchase a minimum of \$2,000,000 in Notes to request that Capital Impact use the proceeds of the Notes purchased by such investor for a particular purpose (i.e. to benefit vulnerable populations in a particular geography, or to meet a critical need in a particular industry or sector); Capital Impact will weigh a variety of factors when considering such requests, including, in particular, whether or not the use of the proceeds to benefit such population, geography, or sector is aligned with Capital Impact's non-profit, tax-exempt purposes and strategic plan, and will accept or decline such requests in its sole discretion. The proceeds of the offering may also be used to purchase securities or other assets that will be leveraged to support Capital Impact's lending and investment activities and general operations, and for general corporate purposes.</p>
Distribution of Notes	<p>Capital Impact will offer the Notes through registered broker-dealers. The Notes may be offered to or through Incapital LLC as Lead Agent for resale. Incapital LLC, or any other Agent appointed by Capital Impact, is not required to purchase or sell any specific amount of Notes but sells the Notes on a best-efforts basis.</p>
Interest Accrual and Interest Periods	<p>Notes begin to accrue interest on the issuance date and mature on the relevant anniversary of issuance. Interest accrues on a 360-day year based on twelve 30-day months. Interest is paid out quarterly and cannot be reinvested.</p> <p>The interest payment dates for a Note will be the fifteenth day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such calendar day is not a business day, in which case the interest payment shall be made</p>

	<p>on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the closing date of the Note and ending on the day preceding the fifteenth day of the third full calendar month that follows such closing date (the “First Interest Period”). The interest accrual period does not include each interest payment date. Subsequent payments of interest under the Note shall be in an amount equal to interest accruing during each period of three calendar months that follow the First Interest Period.</p>
Ranking	<p>The Notes constitute unsecured debt obligations of Capital Impact. Capital Impact has secured obligations that rank senior to the Notes and has other unsecured debt obligations, including previously issued and outstanding Capital Impact Investment Notes, that will rank equally with the Notes.</p>
Redemption	<p>Notes may be redeemable by Capital Impact prior to stated maturity at Capital Impact’s option, as provided in the relevant pricing supplement. Notes will not be repayable at the option of the Note holder prior to stated maturity date, except as provided under “Survivor’s Option” below.</p>
Survivor’s Option	<p>In the limited circumstances set forth below, a holder of Notes may sell the Notes back to Capital Impact prior to stated maturity. This sale option can only be made by the authorized representative of the beneficial owner of the Notes within one year following the death of the beneficial owner of the Notes, so long as the Notes were owned by the beneficial owner or his or her estate at least six months prior to the request and certain documentation requirements are satisfied. This feature is referred to as a “Survivor’s Option.” The right to exercise the Survivor’s Option is subject to (i) a limit on total exercises by all holders of Notes in</p>

	<p>any calendar year of the greater of (x) \$1,000,000 or (y) 1% of the aggregate principal balance of all Notes outstanding at the end of the most recently completed calendar year, and (ii) a limit on individual exercises by any holder of Notes in any calendar year of \$250,000. Additional details on the Survivor's Option are described in the section entitled "Description of Notes—Survivor's Option" on page 52.</p>
Options at Maturity/Reinvestments	<p>Principal is automatically repaid at maturity. Investors may re-invest their repaid principal by purchasing new Notes at then-current interest rates and terms offered by Capital Impact.</p>
Covenants	<p>The Notes are subject to the terms of an indenture (the "Indenture"), with U.S. Bank, National Association ("U.S. Bank") serving as indenture trustee (the "Indenture Trustee"). The Indenture contains certain affirmative and negative covenants.</p>
Risk Factors	<p>Please refer to "Risk Factors" beginning on page 17.</p>
Tax Consequences	<p>Amounts paid by an investor to purchase the Notes are not deductible for federal tax purposes. Any interest paid on the Notes to an investor is taxable. Please refer to "Description of the Notes - Interest Payments and Tax Considerations" on page 54.</p>

SUMMARY FINANCIAL INFORMATION

The tables below set forth select financial information as of and for the years ended December 31, 2015 through 2019. This information is based on our historical audited financial statements and should be read in conjunction with the financial statements attached to this prospectus as Appendix I.

Capital Impact Partners and Subsidiaries
Consolidated Statements of Financial Position
As of December 31, 2015 through December 31, 2019

	2015	2016	2017	2018	2019
Assets					
Cash and cash equivalents - unrestricted	\$ 21,896,663	\$ 20,158,754	\$ 28,596,868	\$ 54,798,361	\$ 40,859,213
Cash and cash equivalents - restricted	35,776,052	27,094,685	29,408,229	31,696,272	32,180,923
Accounts and interest receivable	1,923,122	1,926,900	2,832,906	2,858,058	2,796,591
Contributions receivable	852,811	6,030,676	525,000	7,900,000	1,925,000
Investments	4,700,914	5,602,342	5,802,541	7,110,149	38,705,826
Investment in joint venture	2,660,888	-	-	-	-
Mortgage Backed and US Treasury Securities	-	14,185,960	48,249,579	53,090,027	69,466,573
Loans receivable ⁽¹⁾	180,574,691	206,808,453	311,259,856	347,634,426	371,351,435
Less: allowance for loan losses	(9,374,669)	(8,679,760)	(11,001,026)	(11,833,262)	(13,154,705)
Loans receivable, net	171,200,022	198,128,693	300,258,830	335,801,164	358,196,730
Loans receivable - subsidiaries ⁽²⁾	41,854,452	50,497,966	60,007,244	32,481,332	33,833,895
Other assets	2,928,996	1,679,807	3,060,779	2,983,074	2,959,813
Right of use assets ⁽⁶⁾	-	-	-	-	10,794,995
Total assets	\$ 283,793,920	\$ 325,305,783	\$ 478,741,976	\$ 528,718,437	\$ 591,719,559
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 4,045,327	\$ 3,222,255	\$ 3,784,058	\$ 4,391,302	\$ 3,043,820
Refundable advance liability	-	-	4,800,000	4,650,000	7,245,759
Office vacation obligation	-	-	2,668,125	-	-
Deferred rent and tenant allowance ⁽⁶⁾	-	79,497	1,647,720	2,036,402	-
Revolving lines of credit	32,800,000	32,000,000	85,000,000	75,000,000	54,000,000
Notes payable	61,250,300	66,710,998	76,212,388	76,752,847	70,655,976
Investor Notes, net	-	-	40,734,213	98,237,284	134,570,907
Subordinated debt	10,718,000	10,718,000	10,718,000	10,718,000	2,500,000
Federal Home Loan Bank borrowing	-	5,000,000	11,000,000	11,000,000	47,271,304
Bond loan payable	5,859,705	28,625,536	40,930,079	48,044,247	58,908,325
Notes payable - subsidiaries	41,291,448	50,579,148	60,157,656	37,986,941	35,906,016
Lease liabilities ⁽⁶⁾	-	-	-	-	13,208,278
Total liabilities	155,964,780	196,935,434	337,652,239	368,817,023	427,310,385
Net assets:					
Without donor restrictions ⁽⁴⁾	101,244,487	103,613,255	102,693,027	105,180,311	106,859,410
Noncontrolling interest in consolidated subsidiaries ⁽³⁾	-	-	20,104,251	25,004,079	30,104,079
Total without donor restrictions	101,244,487	103,613,255	122,797,278	130,184,390	136,963,489
With donor restrictions ⁽⁵⁾	26,584,653	24,757,094	18,292,459	29,717,024	27,445,685
Total net assets	127,829,140	128,370,349	141,089,737	159,901,414	164,409,174
Total liabilities and net assets	\$ 283,793,920	\$ 325,305,783	\$ 478,741,976	\$ 528,718,437	\$ 591,719,559

(1) As of December 31, 2019, Capital Impact had \$11,287,287 of outstanding receivables from unsecured loans, or 3.0% of all outstanding loans receivable.

(2) Capital Impact's subsidiaries had no outstanding receivables from unsecured loans at December 31, 2019.

(3) Represents the non-managing member's 80% equity interest in Community Investment Impact Fund, LLC and Community Investment Impact Fund II, LLC, which is exclusive of Capital Impact's equity interest.

Per ASU 2016-14, Capital Impact Partners now classifies net assets into two categories: without donor restrictions and with donor restrictions.

(4) Net assets without donor restrictions means that contributions are available for unrestricted use. Prior to 2017, this was referred to as unrestricted net assets.

- (5) Net assets with donor restrictions are contributions with donor-imposed time or purpose restrictions. Prior to 2017, this was referred to as temporarily and permanently restricted net assets.
- (6) Per ASU 2016-02, Capital Impact Partners now recognizes lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. The new standard is effective for the fiscal year beginning January 1, 2019. The impact of the new standard at December 31, 2019, is right of use assets operating in the amount of \$10,794,995, which is impacted by any unamortized deferred rent and tenant allowances, and lease liabilities, operating in the amount of \$13,208,278.

Capital Impact Partners and Subsidiaries
Consolidated Statements of Activities
For Years ended December 31, 2015 through December 31, 2019

	2015	2016	2017	2018	2019
Changes in net assets without donor restrictions:					
Financial activity:					
Financial income:					
Interest income on loans	11,774,855	13,594,628	18,172,429	21,569,459	23,118,073
Loan fees *	-	-	406,069	686,432	989,576
Unrealized and realized gain (loss) on investments, net *	(200,673)	409,447	-	-	-
Interest income on investments *	71,135	247,828	-	-	-
Investment income, net *	-	-	1,002,093	920,722	4,321,328
Loss on equity method investments *	-	-	-	(92,493)	(181,184)
Gain / (loss) on NMTC unwind	109,427	17,440	(3,941)	94,891	(11,844)
Total financial income	11,754,744	14,269,343	19,576,650	23,179,011	28,235,949
Financial expense:					
Interest expense	3,732,367	4,573,557	7,608,780	9,899,399	10,975,588
Provision (credit) for loan losses	948,413	(817,830)	2,229,350	850,353	1,631,866
Bad debt expense	55,501	3,877	190,208	146,893	-
Total financial expense	4,736,281	3,759,604	10,028,338	10,896,645	12,607,454
Net financial income	7,018,463	10,509,739	9,548,312	12,282,366	15,628,495
Revenue and support:					
Loan servicing fees *	-	-	1,924,772	1,653,562	1,419,708
Fees *	5,215,701	3,528,576	2,755,204	3,228,661	1,270,797
Contract revenue	1,356,639	19,125	4,559	1,143	-
Other income	357,299	613,042	49,236	7,277	108,310
Net assets released from restrictions	29,385,853	10,149,769	7,536,098	5,304,316	6,958,858
Total revenue and support	36,315,492	14,310,512	12,269,869	10,194,959	9,757,673
Expenses:					
Innovative community lending program	10,637,506	10,342,602	9,648,009	11,177,033	11,238,214
Technical assistance	6,411,718	772,657	-	-	-
Total program expenses	17,049,224	11,115,259	9,648,009	11,177,033	11,238,214
Support expenses:					
Management and general	9,318,962	11,033,352	9,378,237	9,077,413	10,229,848
Fundraising	275,442	302,872	931,915	690,416	899,203
Total expenses	26,643,628	22,451,483	19,958,161	20,944,862	22,367,265
Change in net assets without donor restrictions before non-operating items and noncontrolling activities	16,690,327	2,368,768	1,860,020	1,532,463	3,018,903
Gain on extinguishment of office vacating agreement	-	-	-	1,937,432	-
NCB office vacating expense	-	-	(2,727,544)	-	-
Cancellation of debt - subsidiary	-	-	9,119,937	-	-
Bad debt expense - subsidiary	-	-	(9,119,937)	-	-
Change in net assets without donor restrictions before noncontrolling interest activities	16,690,327	2,368,768	(867,524)	3,469,895	3,018,903
Noncontrolling interest - capital contribution	-	-	20,104,058	4,900,000	5,100,000
Noncontrolling interest - distribution	-	-	(52,511)	(982,783)	(1,339,804)
Change in net assets without donor restrictions	16,690,327	2,368,768	19,184,023	7,387,112	6,779,099
Change in net assets with donor restrictions					
Interest income on investments *	10,892	19,293	-	-	-
Investment income, net *	-	-	56,863	152,650	249,945
Gain on investment in joint venture	95	52,940	-	-	-
Grant revenue	2,974,554	8,249,977	1,014,600	16,576,231	4,437,574
Net assets released from restrictions	(29,385,853)	(10,149,769)	(7,536,098)	(5,304,316)	(6,958,858)
Change in net assets with donor restrictions	(26,400,312)	(1,827,559)	(6,464,635)	11,424,565	(2,271,339)
Change in net assets	(9,709,985)	541,209	12,719,388	18,811,677	4,507,760
Net assets, beginning	137,539,125	127,829,140	128,370,349	141,089,737	159,901,414
Net assets, ending	\$ 127,829,140	\$ 128,370,349	\$ 141,089,737	\$ 159,901,414	\$ 164,409,174

* Fee revenue and investment income reclassifications are a result of changes in GAAP, discussed within the audited financial statements attached to this Prospectus as Appendix I. These reclassifications have no impact on the Change in Net Assets.

Additional Summary Financial Information

Selected Financial Data	2015	2016	2017	2018	2019
Cash and cash equivalents (Unrestricted and Restricted)	\$57,672,715	\$47,253,438	\$58,005,097	\$86,494,633	\$73,040,136
Amount of unsecured loans receivable	\$2,794,333	\$5,867,833	\$9,541,021	\$10,179,152	\$11,287,287
Loan delinquencies as a percent of loans receivable ⁽¹⁾	0.3%	0.5%	0.5%	0.5%	0.3%
Notes payable and revolving lines of credit	\$94,050,300	\$98,710,998	\$161,212,388	\$151,752,847	\$124,655,976
Notes payable subsidiaries	\$41,291,448	\$50,579,148	\$60,157,656	\$37,986,941	\$35,906,016
Amount of notes redeemed during the fiscal year	\$-	\$-	\$-	\$130,000	\$10,368,000
Amount of Capital Impact Investment Notes sold	\$-	\$-	\$41,777,000	\$58,425,000	\$46,904,000
Other long-term debt	\$16,577,705	\$44,343,536	\$62,648,079	\$69,762,247	\$108,679,629
Net assets without donor restrictions before noncontrolling interest	\$101,244,487	\$103,613,255	\$102,693,027	\$105,180,311	\$106,859,410
Change in Net Assets ⁽²⁾	\$(9,709,985)	\$541,209	\$12,719,388	\$18,811,677	\$4,507,760
Net assets as a percentage of total assets	45.0%	39.5%	29.5%	30.2%	27.8%
Net Assets without donor restrictions before noncontrolling interest as a percentage of total assets ⁽³⁾	35.7%	31.9%	21.5%	19.9%	18.1%
Net Assets without donor restrictions before noncontrolling interest as a percentage of total assets less subsidiary debt ⁽³⁾	41.7%	37.7%	24.5%	21.4%	19.2%
Net Assets without donor restrictions before noncontrolling interest plus subordinated debt as a percentage of total assets less subsidiary debt ⁽³⁾	46.2%	41.6%	27.1%	23.6%	19.7%
Total liabilities net of subsidiary debt as a percentage of net assets	89.7%	114.0%	196.7%	206.9%	238.1%

(1) Includes loan balances on which payments of principal or interest are delinquent ninety (90) days or more and non-accruing balances.

(2) The 2019 change in net assets includes noncontrolling interest activities of \$3,760,196 which represents the non-managing member's equity interest activities in Community Investment Impact Fund, LLC and Community Investment Impact Fund II, LLC for the year ended December 31, 2019. The 2018 change in net assets includes noncontrolling interest activities of \$3,917,217 which represents the non-managing member's equity interest activities in Community Investment Impact Fund, LLC and Community Investment Impact Fund II, LLC for the year ended December 31, 2018. The 2017 change in net assets includes noncontrolling interest activities of \$20,051,547 which represents the non-managing member's equity interest activities in Community Investment Impact Fund, LLC for the year ended December 31, 2017.

(3) Net assets without donor restrictions means that contributions are available for unrestricted use. Prior to 2017, this was referred to as "unrestricted net assets."

RISK FACTORS

An investment in the Notes involves various material risks, including the loss of principal. Prior to any investment, and in consultation with their financial and legal advisors, investors should carefully consider, among other matters, the following risk factors and the other information contained in this Prospectus before deciding whether to purchase Notes. There can be no assurance that the following list of risks associated with an investment in the Notes is comprehensive. Additional risks not presently known to Capital Impact or that are currently deemed immaterial could also materially and adversely affect Capital Impact's financial condition, results of operations, business, and prospects.

Risks associated with the Notes and the Offering

The Notes are not secured by any assets of Capital Impact and will be effectively subordinated to any of Capital Impact's existing or future secured indebtedness.

The Notes are general unsecured obligations of Capital Impact and will be effectively subordinated to any of the Capital Impact's existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness. As of December 31, 2019, Capital Impact's outstanding secured indebtedness was \$106,179,629. The secured indebtedness consisted of \$58,908,325 outstanding under the U.S. Department of the Treasury Community Development Financial Institutions Fund's (the "CDFI Fund") Bond Guarantee Program (the "CDFI Fund BGP") and \$47,271,304 outstanding under Capital Impact's secured credit facility with the Federal Home Loan Bank of Atlanta ("FHLB-A"). The CDFI Fund BGP permits Capital Impact to borrow up to \$95,000,000. The FHLB-A secured credit facility provides Capital Impact with the ability to draw up to 15% of its total assets. As of December 31, 2019, the total available borrowings under the CDFI Fund BGP were \$30,896,000 and the total available borrowings under the FHLB-A secured credit facility were \$35,592,846. Payment of principal and interest will depend solely upon the financial condition of Capital Impact. Further, no sinking fund or other similar deposit has been or will be established by Capital Impact to ensure payment of the Notes except as may be required by law. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, Capital Impact's secured creditors (and the secured creditors of Capital Impact's subsidiaries) have priority over investors in Notes, and will be entitled to recover from the collateral securing such indebtedness prior to any payment being made to holders of Notes. Thus, Capital Impact's assets, including any collateral securing other obligations, may be insufficient to fully satisfy Capital Impact's obligations to repay the Notes. Therefore, the relative risk level is higher for the Notes than for Capital Impact's secured indebtedness.

The Notes will be effectively subordinated to any existing or future indebtedness of Capital Impact's subsidiaries.

Capital Impact's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the Notes or to make funds available to Capital Impact to do so. As a result, the Notes will be effectively subordinated to all existing and future obligations (including trade payables) of Capital Impact's subsidiaries, and the claims of creditors of those subsidiaries, including trade creditors, will have priority as to the assets and cash flows of those subsidiaries. As of December 31, 2019, Capital Impact's subsidiaries' outstanding indebtedness was \$35,906,016. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to Capital Impact's subsidiaries, holders of their indebtedness, including their trade creditors, will be entitled to payment on their claims from assets of those subsidiaries.

The Notes are not FDIC or SIPC insured, are not bank instruments, and are subject to investment risks.

The Notes are not FDIC or SIPC insured or otherwise insured or guaranteed by any governmental agency; nor are the Notes certificates of deposit or deposit accounts with a bank, savings and loan association, credit union or other financial institution regulated by federal or state authorities. As a result, investors are at risk of possible loss of principal invested.

Capital Impact is offering the Notes on a best-efforts sales basis and there is no minimum sales requirement.

The sale of the Notes is a best-efforts offering and there is no minimum sales requirement. Thus, a low sales volume may not prompt cancellation of the offering or cause Capital Impact to refund Note purchases to existing investors.

The interest rate applicable to a Note is fixed at the time of issue.

Interest rates offered for the Notes may change at Capital Impact's discretion and will be driven by market conditions and the current interest rate environment. Should interest rates rise, Capital Impact is not legally obligated to pay a higher rate or to redeem the principal of a Note prior to its maturity. Moreover, the marketability and value of the Notes may decline in a rising interest rate environment. Risks of investment in the Notes may be greater than implied by a relatively low interest rate on the Notes.

The market value of the Notes may be adversely affected by a decrease in the credit ratings assigned to the Notes or Capital Impact.

There is no assurance that any ratings assigned to the Notes or to Capital Impact at the time of issuance will not be lowered or withdrawn at any time, which could adversely affect the market price and marketability of the Notes.

Capital Impact may redeem the Notes prior to maturity.

Capital Impact has a discretionary right to redeem all or a portion of the Notes prior to maturity. This enables Capital Impact to manage its leverage relative to its liquidity needs. If Capital Impact elects to exercise this right with respect to your Notes, the redemption of your Notes will prevent you from realizing the full value of your investment through the scheduled maturity date.

The Survivor's Option may be limited in amount.

Capital Impact has a discretionary right to limit the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in any calendar year to an amount equal to the greater of \$1,000,000 or 1% of the outstanding principal amount of all Notes outstanding as of the end of the most recent calendar year. Capital Impact also has the discretionary right to limit to \$250,000 in any calendar year the aggregate principal amount of Notes subject to the Survivor's Option that may be exercised in such calendar year on behalf of any individual deceased beneficial owner of Notes. Accordingly, no assurance can be given that exercise of the Survivor's Option for the desired amount will be permitted in any single calendar year.

Holders of Notes will depend in part on the Indenture Trustee enforcing provisions of the Indenture.

Capital Impact has made arrangements with U.S. Bank to serve as Indenture Trustee. The Indenture defines the possible events of default that could cause the Indenture Trustee to accelerate Capital Impact's Note

payment obligations (see “Certain Key Indenture Provisions”). The Indenture does not ensure or secure the repayment of the Notes.

Individual holders of Notes may be unable to control actions taken under the Indenture.

The consent or approval of the holders of a specified percentage of the aggregate principal amount of all outstanding series of Notes is required before various actions may be taken under the Indenture. These actions include the appointment of a successor Indenture Trustee following an Indenture Trustee resignation, the amendment of the Indenture under specified circumstances, the waiver of Events of Default, and certain other events. There can be no assurance that an individual investor’s interests with respect to actions under the Indenture will coincide with those of other investors.

Holders of Notes can only act indirectly through DTC and the Indenture Trustee.

Note transactions are settled through DTC. As is standard to facilitate such electronic transactions, DTC represents the Notes with one or more global certificates registered in the nominee name of “Cede & Co.,” the nominee of DTC, rather than in the name of the investor or investor’s nominee. To exercise their rights under the Indenture, beneficial owners can only act indirectly through DTC and its participating organizations under their established rules. The Indenture Trustee does not track the beneficial owners of global book-entry Notes.

There is not expected to be any secondary market in the Notes.

The Notes will not be listed for sale on any securities exchange and the nature of this offering does not afford the opportunity of a public or secondary market in the Notes. Consequently, the purchase of a Note should be viewed as an investment to be held to maturity.

Holders of Notes should be aware of certain tax consequences.

Although Capital Impact is a 501(c)(3) nonprofit corporation, the interest paid or accrued on the Notes will be taxable as ordinary income to the investor in the earlier of the year it is paid or the year it is accrued, depending on the investor’s method of accounting. Investors should be provided with an IRS Form 1099 by their broker in January of each year detailing the interest earned on their investments in the prior year. Investors will not receive a receipt for a charitable contribution and will not be entitled to a charitable deduction for the purchase of the Notes. Investors should consult with their tax advisor regarding any tax treatment of the Notes.

Risks associated with Capital Impact

We may not be able to repay our obligations under the Notes if there is a material adverse effect in our financial condition or results of operations.

Payment of the Notes depends on the ability of Capital Impact to generate revenues sufficient to cover debt service on the Notes and all other indebtedness of Capital Impact while meeting its operating expenses and other cash requirements. No representation can be made or assurance given that revenues will be realized by Capital Impact in amounts sufficient to make the payments necessary to meet the obligations of Capital Impact and to make debt service payments on the Notes as they become due. Future revenues and expenses of Capital Impact are subject to, among other things, the capabilities of the management of Capital Impact, future economic conditions and a variety of non-economic and other conditions, many of which are

unpredictable or not within Capital Impact's control. For example, Capital Impact underwent a negative change in net assets between 2014 year-end through 2015 year-end in an amount of \$9,709,985. No representation can be made or assurance given that Capital Impact's net assets will not decrease again in the future. The payment of principal and interest on the Notes, as well as other obligations of Capital Impact, may be adversely impacted by these factors.

Examples of these factors include, but are not limited to, the following:

- *General lending risks.* Although Capital Impact has established due diligence and payment monitoring procedures, there can be no guarantee that borrowers will repay Capital Impact promptly or at all. While Capital Impact intends to pay its investors on schedule, defaults or untimely repayments of investments may result in Capital Impact having insufficient capital to satisfy all outstanding Notes. Specific lending risks include:
 - *General commercial real estate investment risk.* A significant portion of Capital Impact's loan portfolio consists of assets with first lien mortgages on commercial real estate. Our borrowers derive cash flows and value from the performance of the commercial real estate and thus, we are subject to general risks of investments in commercial real estate. These risks include:
 - Declines in the value of real estate;
 - Risks related to general and local economic conditions;
 - Dependency on management skills of the borrower or third-party property management firm;
 - Risk depending on the timing of cash flows from the underlying mortgage properties;
 - Increases in property taxes and operating expenses, including energy costs;
 - Changes in zoning laws and other governmental rules, regulations and fiscal policies; compliance with existing legal and regulatory requirements, including environmental controls and regulations;
 - Expenses incurred in the cleanup of environmental problems;
 - Risks related to the type and use of a particular commercial property; and
 - Casualty or condemnation losses, including where liability and casualty insurance does not provide full protection.
 - *Changes in interest rates.* Capital Impact's earnings and cash flows depend substantially upon our net interest income. Net interest income is the difference between interest income earned on our loans, and interest expense paid on interest-bearing liabilities, such as borrowed funds. Interest rates are sensitive to many factors that are beyond our control, including general economic conditions, competition and policies of various governmental and regulatory agencies and, in particular, the policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Interest rate changes could affect: (1) our ability to originate loans; (2) the fair value of our financial assets and liabilities, including our investment portfolio; and (3) the average duration of our interest-earning

assets. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

- *Prepayment and refinancing risk.* Prepayment and refinancing rates may adversely affect the value of our loan portfolio. Prepayment and refinancing rates on loans may be affected by a number of factors including, but not limited to, the availability of mortgage credit, the relative economic vitality of the area in which the related properties are located, the servicing of the loans, possible changes in tax laws, other opportunities for investment, and other economic, social, geographic, demographic and legal factors and other factors beyond our control. Consequently, prepayment and refinancing rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment and refinancing rates on loans generally increase. If general interest rates decline at the same time, the proceeds of such prepayments and refinancings received during such periods are likely to be reinvested by us in loans yielding less than the yields on the loans that were prepaid or refinanced.
- *Sector concentration risk.* Capital Impact finances commercial real estate, mixed use real estate and other projects in the healthcare, education, affordable housing and community development sectors. If one or more of these sectors experiences a financial downturn, Capital Impact borrowers may have difficulty making loan payments.
- *Geographic concentration risk.* As of December 31, 2019, 34% of Capital Impact's revenue-generating loan portfolio was concentrated in California and 20% of its loan portfolio was concentrated in Michigan. If one or more of these geographic areas experiences a financial downturn, Capital Impact borrowers may have difficulty making loan payments.
- *Illiquidity risk.* Loans made by Capital Impact are typically illiquid as there is no secondary market for community development loans. While investment diversification, credit analysis, and limited maturity can reduce the risk of loss, there can be no assurance that Capital Impact will be able to liquidate its position in any particular loan, that borrowers will repay Capital Impact promptly, or that losses will not occur.
- *Adequacy of loan loss reserve.* Capital Impact maintains a loan loss reserve in accordance with GAAP; it is reviewed quarterly by the Chief Risk Officer and the Board of Directors (see "Lending Activities – Credit Quality and Risk Management – Loss Reserve" on page 38). However, the loan loss reserve may not be adequate to meet all potential losses.
- *Charitable purpose.* In furtherance of Capital Impact's charitable purpose, Capital Impact lends money to borrowers which are not able to obtain financing at competitive market rates from conventional lenders such as regulated retail or commercial banks; the reasons for this vary, but often relate to the creditworthiness of the borrower and the availability or value of the collateral the borrower is able to offer to support the credit risk represented by a loan to the borrower. As a result, there is a higher risk that Capital Impact's loans may not be repaid.
- *Lack of control.* Capital Impact may not have control over certain of its investments. Capital Impact's ability to manage its portfolio of investments may be limited by the form in which they are made. In certain situations, Capital Impact may:
 - acquire only a minority and/or a non-controlling participation in an underlying loan;

- engage in intermediary lending by making a loan to another financial institution with a distinct mission, underwriting practices and asset management capabilities, which in turn, makes loans to borrowers;
- engage in intermediary investing by making equity investments in joint ventures with a distinct mission, underwriting practices and asset management capabilities, which in turn, make investments, which may be in the form of equity or debt, in projects that help us accomplish our charitable purpose to support underserved communities; or
- rely on independent third-party management or servicing with respect to the management of our loans.

Capital Impact's rights to control the process following a borrower default may be subject to the rights of others whose interests may not be aligned with its own.

- *Limits on access to capital.* A significant portion of Capital Impact's revenue is derived from grants obtained through federal programs, private foundations and other institutions. In addition, Capital Impact relies heavily on allocations of funds from various tax credit programs offered by the CDFI Fund. Receipt of grants and access to tax credit programs are neither guaranteed, nor renewable. They are also often associated with lengthy and stringent application processes, which can make them difficult to obtain. Periods of economic hardship may cause a decrease in the availability of grant funding as grant funding sources adopt more conservative financial practices. Budgetary constraints or shifts in the programmatic priorities of federal and private funding sources may also cause a decrease in the availability of CDFI Fund allocations and grants that are targeted to Capital Impact's mission. Because of the uncertain nature of grant receipts or allocations from the CDFI Fund, there is a risk that a sudden reduction in funding could occur, which may adversely impact Capital Impact's ability to repay its obligations as they come due. We also depend on sales of Notes, bank financing, transaction or asset specific funding arrangements, asset sales and other sources of financing to execute our business plan. Our inability to access such funding at acceptable interest rates or at all could have a material adverse effect on our results of operations, financial condition and business (see "A health epidemic or pandemic, including the 2020 coronavirus outbreak, may have an adverse effect on Capital Impact's business" below).
- *Other investments.* In addition to our lending program, we make investments in, and grants to, cooperative organizations, non-profit organizations, Community Development Financial Institutions ("CDFIs"), investment funds, joint ventures and others involved in supporting programs that are generally related to Capital Impact's mission. These investments, which are not subject to our normal underwriting standards, tend to be higher risk investments than those in our loan portfolio. In certain cases, our investments may be in the form of minority equity investments where we do not control the underwriting or asset management of the investments. If these investments are not recoverable, it will result in a reduction of capital available to support our lending activities.
- *Loan servicing and portfolio management.* In addition to providing capital directly to end borrowers, Capital Impact also services loans owned by third parties and engages in lending activities through its wholly-owned subsidiaries. Capital Impact's subsidiaries are typically formed specifically for the purpose of lending to borrowers operating within a particular industry or geography, and are typically financed through senior-subordinate debt structures by Capital Impact and third party investors. Capital Impact manages all aspects of the business of these subsidiaries, including the origination and servicing of loans made by the subsidiaries. Capital Impact bears risk relating to its servicing obligations and the conflicts of interest that may exist in cases where Capital Impact is both

a servicer and a lender to a subsidiary. Capital Impact may also suffer reductions in servicing income if Capital Impact's origination of new loans is slower than the pace of maturing loans.

- *Technical assistance.* Capital Impact also provides technical assistance (e.g. consulting services) to a wide range of stakeholders, including project borrowers, community development organizations, strategic partners, policy makers and internal business units. When providing these services to unaffiliated third parties, Capital Impact bears the risk of both payment and performance in relation to the underlying technical assistance agreement. Failure to perform services to the satisfaction of the third party client may result in non-payment and/or legal action against Capital Impact.
- *New business activities.* Capital Impact may enter into new business ventures or alter its existing business model in order to achieve greater social impact consistent with its charitable purpose. For example, Capital Impact may expand the number and type of loan products or programs it offers; adjust its risk tolerance parameters with respect to new or existing business; change the manner or scope of its asset acquisition strategies, including through loan sales, purchases, and participations; change the manner or scope of its investment management strategies by engaging in joint ventures or establishing investment vehicles with, or by selling or contributing assets to, related or unrelated third parties; expand the industries or geographic areas in which it operates; or offer new forms of technical assistance or other innovative products or services. For example, in late 2017 and again in late 2018, we entered into separate \$25 million joint ventures with Annaly Capital Management, Inc., a NYSE-listed diversified capital manager that invests in and finances residential and commercial assets, to support community development projects in underserved communities. Although Capital Impact's intention in undertaking new business activities or altering its existing business model may be to increase its social impact, losses related to these activities may adversely impair Capital Impact's financial condition or present a risk of litigation or regulatory oversight not currently present in its existing business model.

We may incur additional debt which may hinder our ability to pay debt service on the Notes.

As of the date of this Prospectus, Capital Impact has approximately \$170,935,000.00 aggregate principal amount of Capital Impact Investment Notes issued. Capital Impact may issue additional Notes under the Indenture pursuant to supplemental indentures or other unsecured indebtedness without the consent or approval of the owners of any Notes then outstanding. The outstanding Capital Impact Investment Notes, any additional Notes or any additional unsecured indebtedness will rank equally with the Notes. The Indenture does not limit the amount of additional Notes or other unsecured indebtedness that may be issued. The incurrence by Capital Impact of additional indebtedness may adversely affect its ability to make payments required on the Notes. Further, if Capital Impact incurs additional indebtedness, the market perception of Capital Impact's ability to pay debt service on the Notes, regardless of Capital Impact's actual ability to make such payments, may result in a decrease in the marketability of the Notes.

Changes in federal and state priorities and regulations may adversely affect Capital Impact.

Changes in funding priorities by the federal and state governments, such as support for Federally Qualified Health Centers ("FQHCs") or charter schools and in affordable housing, could have an adverse effect on the sectors where we provide financing. This could hinder our ability to make loans or affect the ability of our borrowers to make loan payments. In addition, future changes in federal or state laws, rules, or regulations governing the sale of securities by religious, charitable, or other nonprofit organizations may make it more difficult for Capital Impact to offer the Notes. Such an occurrence could result in a decrease in the amount of

the Notes sold by Capital Impact, which could potentially affect Capital Impact's operations and its ability to meet its obligations to Noteholders.

Failure to meet Capital Impact's existing debt obligations on any debt agreement could result in a cross-default under other debt agreements, which could adversely affect our business, operations and financial condition.

Capital Impact's existing debt is (and any future debt likely will be) structured through debt agreements, many of which contain (or will contain) provisions for financial covenants that Capital Impact must maintain in order to avoid an event of default. If Capital Impact were to fail to maintain a financial covenant in any of the debt agreements, it would trigger an event of default in not only that particular debt agreement, but also in all other debt agreements that contain a cross-default mechanism. If Capital Impact defaults on its debt agreements, it would negatively impact Capital Impact's financials and ability to pay interest and principal under the Notes when due.

Any change in Capital Impact's non-profit, tax exempt or CDFI status could negatively impact its ability to meet its obligations under the Notes.

Federal authorities have determined that Capital Impact is a CDFI certified by the CDFI Fund and is also exempt from federal and state taxation on the basis of its charitable purpose. These determinations rest upon a number of conditions and assumptions that must continue to be met on an ongoing basis. If Capital Impact fails to comply with any of these conditions or assumptions, Capital Impact could lose its CDFI, non-profit or tax exempt status. If Capital Impact loses its non-profit or tax-exempt status, it will be subjected to federal and/or state taxation. If Capital Impact became subject to federal or state taxation, this could negatively impact its financial viability and cash flow, and its ability to sell Notes pursuant to exemptions for non-profit charitable securities, all of which could ultimately negatively impact its ability to meet its obligations under the Notes. If Capital Impact loses its CDFI status, it will no longer be able to participate in the various programs that are only available to CDFIs. These programs include the CDFI Fund Financial Assistance Awards; Technical Assistance Awards; and the CDFI Fund BGP. The inability to benefit from CDFI Fund programs would pose a serious challenge to Capital Impact's ability to operate. Finally, a loss of Capital Impact's non-profit, tax exempt or CDFI status would result in an event of default under certain of Capital Impact's debt agreements and other agreements with third parties, which defaults would negatively impact Capital Impact's financials and ability to pay interest and principal under the Notes when due.

Failure of Capital Impact to comply with the National Consumer Cooperative Bank Act could negatively impact its ability to meet its obligations under the Notes.

Capital Impact was formed in 1982 as a District of Columbia nonprofit corporation that is a tax-exempt 501(c)(3) public charity at the direction of the United States Congress, pursuant to amendments to the National Consumer Cooperative Bank Act ("NCCBA") adopted in 1981. Capital Impact was formed to support the development of cooperatives in underserved communities. While Capital Impact actively engages in activities that are fully consistent with the intent and purpose of the NCCBA, and seeks to engage with cooperatives, Capital Impact has expanded its impact beyond cooperatives to other organizations that embrace two core and foundational principles of cooperation: voluntary and open membership and democratic member control, and which serve members of a low or moderate income, or otherwise underserved, community. The NCCBA does not subject Capital Impact to any Federal regulatory oversight. However, Capital Impact could be examined or audited in the future, if the United States Congress were to take action to authorize Federal oversight, or a Federal agency or department (such as the General

Accounting Office) were to successfully assert that it possessed the authority to exercise oversight of Capital Impact. Any Federal oversight resulting in a determination that Capital Impact failed to comply with the NCCBA could ultimately negatively impact its ability to meet its obligations under the Notes.

Investments in readily marketable securities are subject to market risk, which may have a material adverse impact on Capital Impact's financial condition and results of operation.

A portion of Capital Impact's liquid assets (including a portion of the proceeds of this offering) is or may be invested in readily marketable securities, such as mortgage-backed securities ("MBS"), and is therefore subject to market risks. As a result, Capital Impact may incur losses if the market values of those investments decline. Capital Impact intends to grow its MBS portfolio in order to leverage capital through its FHLB-A secured credit facility. The MBS may be subject to periodic "mark-to-market" valuations, which may have a negative, interim effect on the reported value of the MBS prior to realization of an investment in the MBS.

Holders of Notes are subject to risk associated with bankruptcy or insolvency of Capital Impact.

If Capital Impact, a subsidiary, or another affiliated company seeks relief under bankruptcy or related laws, a bankruptcy court could attempt to consolidate its assets into the bankruptcy estate, possibly resulting in delayed or reduced payments to Noteholders. While Capital Impact or the Indenture Trustee are permitted to hold certain segregated funds as Paying Agent under the Indenture, the enforceability in bankruptcy of any pledge of such segregated funds may be limited. Furthermore, there is some risk that a bankruptcy court would deem segregated funds held by Capital Impact or the Indenture Trustee as assets of the bankrupt estate.

Capital Impact's loss of key management personnel could adversely affect its operating performance and ability to pay interest and principal under the Notes when due.

Capital Impact is dependent on the efforts of its key management. Competition for senior management personnel can be intense and Capital Impact may not be able to retain its key management. Although Capital Impact believes qualified replacements could be found for any departures of key management, the loss of their services could adversely affect Capital Impact's operating performance and ability to pay interest and principal under the Notes when due.

A health epidemic or pandemic, including the 2020 coronavirus outbreak, may have an adverse effect on Capital Impact's business.

Capital Impact's business could be materially and adversely affected by the outbreak of a widespread health epidemic or pandemic, such as the 2020 coronavirus outbreak, particularly if located in regions where we derive a significant amount of our loan-portfolio revenue. The occurrence of such an outbreak or other adverse public health developments could materially disrupt our business and operations.

In light of the uncertain and rapidly evolving situation relating to the spread of the coronavirus, Capital Impact has taken temporary precautionary measures intended to help minimize the risk of the virus to its employees and the communities in which it participates, which could negatively impact its business. To this end, in March 2020, Capital Impact temporarily required all employees to work remotely, suspended all non-essential travel for its employees, cancelled or postponed Capital Impact-sponsored events, and discouraged employee attendance at industry events and in-person work-related meetings. Capital Impact's ability to operate is dependent on the ability of its employees to work remotely. Capital Impact employees travel often to establish and maintain relationships with one another and with its borrowers. Although Capital

Impact continues to monitor the situation and may adjust its current policies as more information and guidance become available, temporarily suspending travel and in-person meetings could negatively impact Capital Impact's marketing efforts, challenge its ability to originate and underwrite new loans in a timely manner, or create operational or other challenges as it adjusts to a fully-remote workforce, any of which could harm its business.

The outbreak of a widespread health epidemic or pandemic, such as the 2020 coronavirus outbreak, may also result in the closures of other business, including governmental offices, private foundations and Capital Impact's borrowers. If U.S. federal, state or local governments are closed, timely awards of federal, state and local program funds that Capital Impact has applied for or may apply for in the future may not be made, which could adversely affect Capital Impact's operations. In addition, if U.S. federal, state or local governments are closed, Capital Impact's borrowers may not be able to timely obtain all necessary permits and approvals to commence construction and other projects, which Capital Impact has funded. If private foundations are closed, timely awarding of program-related investments or grants that Capital Impact has applied for or may apply for in the future may not be made, which could adversely affect Capital Impact's operations. To the extent the operations of Capital Impact's borrowers are adversely affected, Capital Impact's borrowers' ability to meet their loan obligations may be adversely affected, which, in turn, could lead to loan default, which would adversely affect Capital Impact's results of operations.

Finally, the outbreak of a widespread health epidemic or pandemic, such as the 2020 coronavirus outbreak, may lead to volatility and disruption in global financial markets, which could adversely affect Capital Impact's ability to obtain financing to execute its business plan and increase the volatility of the daily mark-to-market values of the underlying securities in its mortgage-backed securities portfolio.

USE OF PROCEEDS

The proceeds of the offering will be used primarily to fund initiatives that meet critical needs in low-income communities across the United States, including through Capital Impact's subsidiaries, affiliates, strategic partners, joint ventures and third party intermediaries. The proceeds of the offering may also be used to purchase securities or other assets that will be leveraged to support Capital Impact's lending activities and general operations, and for general corporate purposes.

Consistent with Capital Impact's existing projects, initiatives that are funded using the proceeds from the offering are expected to be focused in the healthcare, education, affordable housing and community development sectors. Proceeds will also be used to provide technical assistance to borrowers and other market participants as projects are developed in order to increase the likelihood that its borrowers' projects will be successful and have a positive impact on the communities they serve. Capital Impact typically invests in cooperatives, cooperative-like organizations, non-profits and other organizations that are dedicated to supporting these sectors. However, Capital Impact may identify other initiatives, such as making small business loans, that are consistent with its mission of delivering both the capital and commitment that help people build strong, vibrant communities of opportunities, and use the proceeds of the offering for such purposes.

Capital Impact may allow investors who offer to purchase a minimum of \$2,000,000 in Notes to request that Capital Impact use the proceeds of the Notes purchased by such investor for a particular purpose (i.e. to benefit vulnerable populations in a particular geography, or to meet a critical need in a particular industry or sector); Capital Impact will weigh a variety of factors when considering such requests, including, in particular, whether or not the use of the proceeds to benefit such population, geography, or sector is aligned with Capital Impact's non-profit, tax-exempt purposes and strategic plan, and will accept or decline such requests in its sole discretion.

DESCRIPTION OF THE ISSUER

Overview

Capital Impact is a District of Columbia nonprofit corporation, formed in 1982 pursuant to Title 2 of the National Consumer Cooperative Bank Act of 1978, as amended, at the direction of the United States Congress. Capital Impact is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”), and a public charity, as described in Section 509(a)(1) and Section 170(b)(1)(A)(vi) of the Code. Capital Impact’s principal executive office is located in Arlington, Virginia; it also has offices located in Oakland, California, Detroit, Michigan, New York, New York, and a new office in Texas which opened in 2020. In 2011, Capital Impact was certified as a CDFI by the CDFI Fund.

Mission

Capital Impact’s charitable purpose is to provide financial services and technical assistance to cooperatives and other organizations which support underserved communities. Capital Impact accomplishes its charitable purpose by financing projects in the healthcare, education, affordable housing and community development sectors, and by providing technical assistance to borrowers and other market participants as projects are developed in order to increase the likelihood that its borrowers’ projects will be successful and have a positive impact on the communities they serve.

Strategy

Capital Impact’s business strategy is one that supports comprehensive community revitalization and is specifically designed to actualize its vision of a nation of communities built on a foundation of equity, opportunity, and inclusiveness, in which high-quality healthcare, healthy foods, affordable housing, and a quality education are accessible to everyone present in the community.

Cooperatives, cooperative-like organizations, and other organizations that are dedicated to supporting these sectors receive financial support (primarily in the form of loans) and technical assistance (primarily in the form of sector-specific expertise) from Capital Impact in furtherance of its charitable purpose; Capital Impact believes that it is strategically positioned to bring people together in a spirit of cooperation to create businesses, provide services and develop property in their own communities, thus increasing access to goods, developing needed infrastructure to support commerce and essential community services and opening fair and efficient markets to a greater segment of the population.

Lending

Capital Impact’s core business is to lend capital to organizations engaged in community development projects that are aligned with Capital Impact’s mission. A typical borrower is an organization involved in developing commercial real estate that becomes the backbone for community based-services in one of the company’s sectors; examples include charter schools and community health centers. Although Capital Impact offers a variety of debt products to its borrowers at different stages of the borrower’s life cycle, as more fully described below, a typical loan is one that is secured by a first lien on commercial real estate. Because borrowers in Capital Impact’s sectors are often unable to obtain financing at competitive rates directly from conventional lenders, such as regulated retail or commercial banks, Capital Impact prides itself on sourcing and providing capital to mission-oriented borrowers at competitive rates and/or on terms that are generally more flexible than those that may be available to the borrowers in the traditional capital markets.

Although Capital Impact operates on a nation-wide basis and tends to be sector-focused in its approach, it has implemented a place-based revitalization strategy in Detroit and, due to the success of its Detroit strategy, is considering implementing additional place-based strategies in other geographic markets. This strategy targets capital and commitment across multiple sectors simultaneously, such as affordable housing, charter schools, healthy food retailers, community health centers and community-based aging projects, to create a set of interconnected resources that work to strengthen each other. At the present time, Capital Impact's investments are concentrated in the California, Michigan and northern Ohio, Washington, DC metropolitan area, the New York City metropolitan area and central Texas (Austin, San Antonio, Dallas/Fort Worth and Houston). These geographic concentrations may shift in the ordinary course of business as Capital Impact evaluates its business strategy, including new opportunities that arise in new geographies, and its concentration risk, which may result in a re-balancing of its portfolio.

Capital Impact often works with local and national strategic partners, including community development organizations, private foundations, other CDFIs and the community development groups within commercial banks, to establish viable ties to the communities it serves, enhance its market presence and increase the scope of the financial products and technical assistance that it can bring to market. Capital Impact's strategic partners are selected based on a variety of factors, including mission alignment, commitment to a particular sector or geography, community ties and financial strength.

In addition to providing capital directly to project borrowers, Capital Impact engages in lending activities with its strategic partners through its wholly-owned subsidiaries, affiliates and third party intermediaries, and through the purchase and sale of whole loans and fractional loan participations.

Capital Impact's subsidiaries are typically formed specifically for the purpose of lending to borrowers operating within a particular sector or geography, and are typically financed by Capital Impact and its strategic partners through senior-subordinate debt structures. The senior-subordinate debt structures used to capitalize the subsidiaries allow Capital Impact to provide project borrowers with financing on flexible terms and afford its strategic partners an opportunity to more broadly share risk in markets that have historically been difficult for them to finance at market rates. Capital Impact manages all aspects of the business of these subsidiaries, including the origination and servicing of loans made by the subsidiaries. These subsidiaries are actively engaged in sector-specific or geographically-focused lending activities.

Capital Impact's intermediary lending relationships allow Capital Impact to finance the lending activity of other lenders to achieve scale in an area in which the intermediary has a particular focus or expertise. Examples of intermediaries financed by Capital Impact include joint ventures, cooperative loan funds, non-profit organizations, and other CDFIs. In each case, the mission, underwriting practices and asset management capabilities of the intermediary are believed to be aligned with those of Capital Impact.

The purchase and sale of whole loans and fractional loan participations, directly by Capital Impact or through special purpose entities or joint ventures, enable Capital Impact to create liquidity, manage credit risk and diversify its portfolio.

Sources of capital used to finance or otherwise support Capital Impact's programs include: institutional debt, grants, guarantees, credit enhancements and program-related investments, the Notes and special purpose entities or joint ventures. Most of this capital is originated through Federal government programs, private foundations, retail investors, or other institutions focused on using Capital Impact's established lending platform to scale community development efforts.

Servicing and Portfolio Management

In addition to servicing a portfolio of loans for itself and, for a customary fee, its wholly-owned subsidiaries, Capital Impact also services commercial loans that are owned in whole or in part by strategic partners, affiliated or unaffiliated funds, including special purpose entities and joint ventures, with similar community development goals, or that are a part of tax credit transactions in which Capital Impact is also a leverage lender or allocatee. Servicing clients typically bring capital and sector-specific expertise to transactions in which Capital Impact has an interest, but do not have the necessary servicing platform or personnel to service their own loans or loans of the type originated by Capital Impact for community development purposes. Servicing includes the management of billing and payment applications and responding to the immediate needs of the borrower. Capital Impact generates fee revenue when it performs servicing on behalf of third parties and limits this activity to transactions in which the strategy and mission of the parties, or the underlying community development purpose of the loans being serviced, is aligned; it is not a service that is marketed independently of Capital Impact's core competency in community development. Capital Impact's portfolio management team manages all aspects of each loan over its life, and monitors loan performance and the credit risk relating to each loan.

Technical Assistance

Although Capital Impact does not generate a substantial amount of revenue through its technical assistance activities, it views technical assistance as being core to its mission and critical to the success of its project borrowers and the communities it serves. Capital Impact's technical assistance activities include research, writing, analytics and consulting in areas in which Capital Impact's team of professionals have industry-recognized expertise. Capital Impact's technical assistance benefits a wide range of stakeholders, including existing and potential project borrowers, community development organizations, strategic partners, policy makers and internal business units, all of whom are dedicated to actualizing Capital Impact's vision for a more inclusive and equitable society.

Other Investments

In addition to our lending program, we make investments in, and grants to, cooperative organizations, non-profit organizations, CDFIs, investment funds, joint ventures and others involved in supporting programs that are generally related to Capital Impact's mission. These investments, which are not subject to our normal underwriting standards, tend to be higher risk investments than those in our loan portfolio. In certain cases, our investments may be in the form of minority equity investments where we do not control the underwriting or asset management of the investments. If these investments are not recoverable, it will result in a reduction of capital available to support our lending activities.

Demonstrated Results

Capital Impact's dedication to its mission has led it to become recognized as a leader in community development in communities across the country. Notably, as of December 31, 2019, Capital Impact has:

- disbursed more than \$2.8 billion to organizations that provide services to more than 5.5 million people in low income communities annually;
- become a significant non-profit community health center lender in the country, with more than \$960 million deployed to Federally Qualified Health Centers and other community-based health care providers, touching 2.9 million patients nationwide;

- provided more than \$900 million in financing to charter schools that serve more than 270,000 students;
- deployed \$200 million to healthy food retailers and wholesalers that have eliminated food deserts and other low access areas;
- disbursed approximately \$200 million to the revitalization of housing and mixed use facilities in Detroit, Michigan; and
- disbursed \$380 million toward the financing of more than 2,500 affordable housing units.

LENDING ACTIVITIES

Loan Products

Capital Impact offers the following loan products to organizations operating in or supporting the community healthcare, education, affordable housing and community development sectors:

- revolving lines of credit;
- working capital financing;
- bridge financing;
- construction and renovation loans;
- tenant improvement loans;
- real estate acquisition loans;
- predevelopment loans;
- permanent loans; and
- equipment loans.

Although Capital Impact's loans are typically secured by a first lien on the real estate or other business assets of the borrower, Capital Impact sometimes takes a subordinated or unsecured position in a transaction. Capital Impact believes that this flexibility enables it to support borrowers throughout their life cycles, and that this support leads to greater social impact in the communities it serves. Determinations regarding the level of credit risk that is supportable in a particular transaction, including the type and amount of collateral required to secure Capital Impact's position, are made in accordance with its underwriting guidelines and the underwriting and approval process described below.

Lending Criteria

Because Capital Impact is a public charity, it places strong emphasis during the evaluation process on the connection between the borrower's project and Capital Impact's charitable purpose and mission. Capital Impact considers the likelihood that the borrower's project will drive societal change in a community or sector served by Capital Impact and may give greater weight to the potential social impact of the project than it does to other factors that traditionally drive the credit decisions of commercial banks. When considering mission alignment, Capital Impact typically focuses on the degree to which the project will:

- benefit low-income or disadvantaged populations;
- increase access to goods and services in underserved communities;
- develop needed infrastructure to support commerce;
- drive further development and density within a targeted area; and
- support Capital Impact's core cooperative principles of equity and inclusion.

Potential loans are evaluated by Capital Impact's Credit Committee to determine the fit with Capital Impact's overall strategy and mission, and then potential loans move to underwriting to determine if the credit and risk requirements set forth in Capital Impact's underwriting guidelines are met. The factors used to evaluate potential loans include:

- how the proposed loan fits within Capital Impact's strategy for the sector or geography;
- the risk of the loan relative to the risk allocations within Capital Impact's portfolio by sector and geography and the overall credit quality of the portfolio;
- the financial strength of the borrower;

- the financial projections for the project to be financed;
- the ability of the borrower to repay the loan obligation;
- the value of the collateral for the loan (if any);
- the need for and availability of additional credit support if the creditworthiness of the borrower is questionable or the value of the collateral is low;
- the success of other similar projects completed by the borrower (if any);
- the availability of capital to finance the transaction at competitive rates; and
- the interest of third parties, such as community development organizations, CDFIs, community banks and private foundations, to partner on the transaction, including, for example, through co-lending arrangements, or loan sales or participations, directly or through special purpose entities or joint ventures.

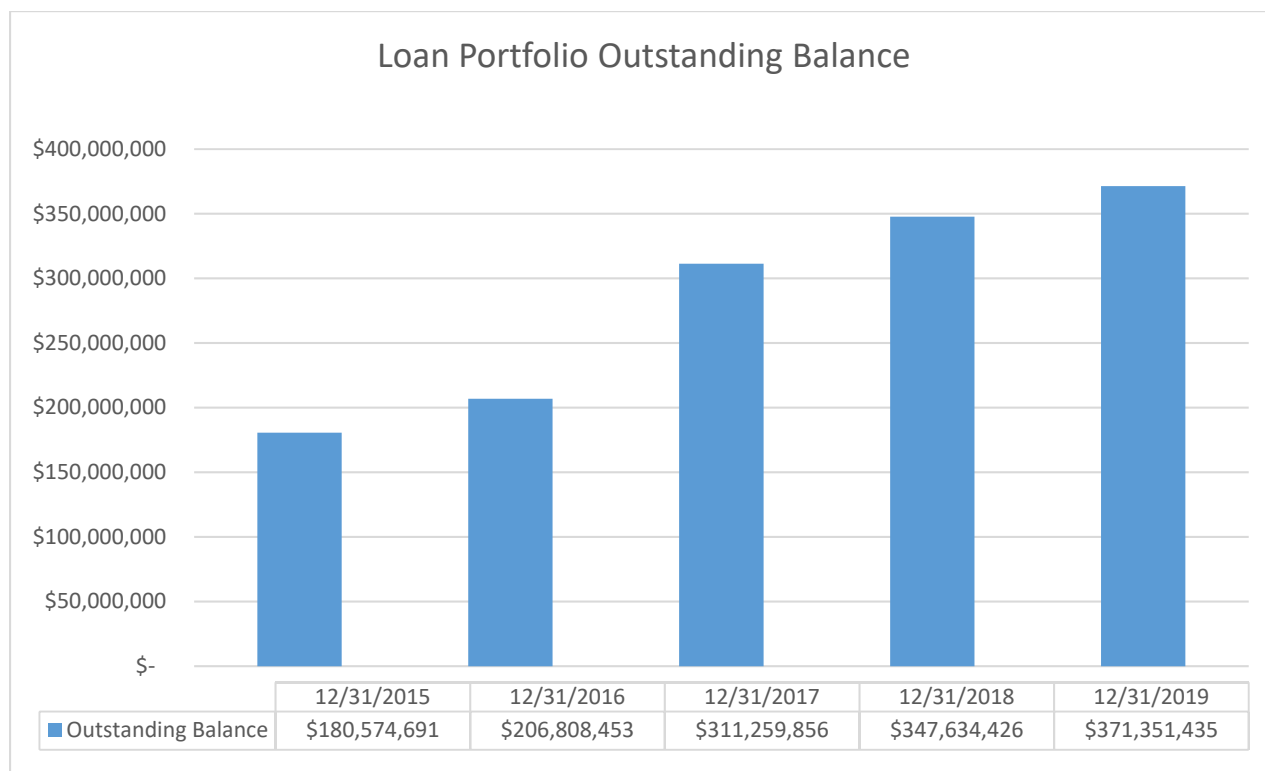
Capital Impact's mission focus during the evaluation process differentiates it from its for-profit peers in the financial services and banking industries and may result in the extension of credit to higher risk borrowers consistent with its mission.

Capital Impact maintains a loan policy that provides a framework for and expectations to management regarding the scope and nature of Capital Impact's lending, in furtherance of Capital Impact's mission and tax-exempt purposes. The loan policy is reviewed and approved by Capital Impact's Board of Directors on an annual basis.

Loan Portfolio

Capital Impact's loan portfolio consists of loans reflected in Capital Impact's loans receivable balance as set forth in its accompanying audited financial statements. The loans receivable balance includes loans disbursed through Capital Impact as well as Capital Impact's portion of loans disbursed through seven consolidated subsidiaries.¹ Capital Impact earns revenue (which may include interest, management fees, servicing fees, and other revenue) related to its subsidiary loans and loans it manages on behalf of unaffiliated third parties; but these loans are not reflected in Capital Impact's loans receivable balances set forth in the accompanying audited financial statements.

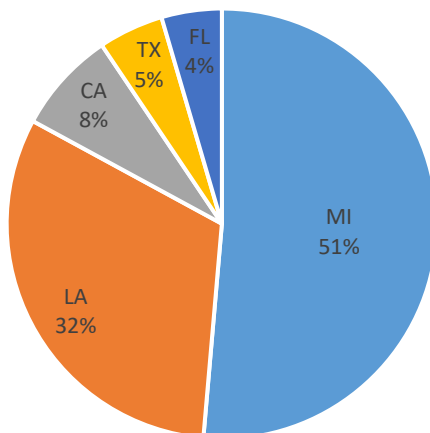
Capital Impact's loan portfolio has grown consistently from 2015 through 2019, as illustrated in the below chart.



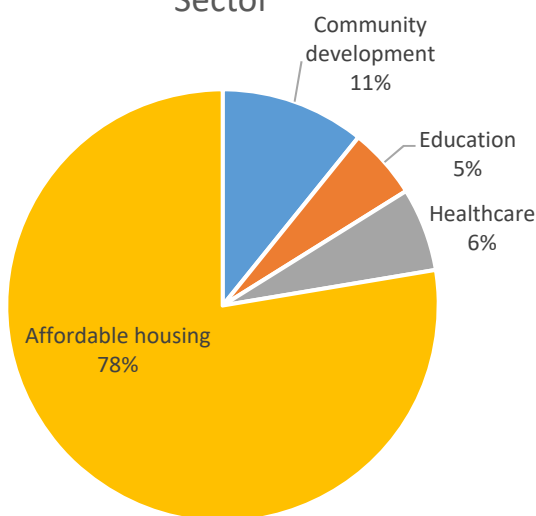
¹ Seven subsidiaries were consolidated on Capital Impact's financial statements during the period of 2015 to 2019: California Freshworks Fund, LLC ("CAFW"), Community Economic Development, LLC ("CED"), Impact V CDE 7, LLC ("CDE 7"), FPIF, LLC, Detroit Neighborhoods Fund, LLC, Community Investment Impact Fund, LLC ("CIIF"), and Community Investment Impact Fund II, LLC ("CIIF II"). CAFW dissolved as of April 7, 2015; CED dissolved as of April 8, 2016; CIIF commenced operations as of December 13, 2017; Impact V CDE 7 dissolved as of February 2018; CIIF II commenced operations as of December 28, 2018; and CIIF II merged with and into CIIF as of January 1, 2020 and is no longer in existence.

In the normal course of business, Capital Impact makes commitments to extend loans and lines of credit, which are not reflected in its financial statements until they are disbursed. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Capital Impact's unfunded loan commitment balance as of December 31, 2019 was \$44,024,557², the detail of which is illustrated in the following charts.

Unfunded Loan Commitments Concentration by Geography (Top 5 States)



Unfunded Loan Commitments Concentration by Sector



² This represents the unfunded commitment based on Capital Impact's consolidated financials. The figure includes unfunded commitments of \$4,646,445 to Capital Impact's subsidiaries.

Lending Process: Underwriting and Approval

Each new loan is evaluated in a multi-phase process that is both formal and documented to ensure that the loan is aligned with Capital Impact's mission and strategy, the credit risk represented by the loan falls within acceptable risk parameters and the structure and terms of the loan serve to mitigate identified risks to the extent possible.

Screening Committee. Each new loan is evaluated on a preliminary basis by a Screening Committee, comprised of Capital Impact's Director of Loan Originations and Senior Credit Officer. The Screening Committee evaluates the loan to determine its fit with Capital Impact's lending strategy, the requirements of a particular lending initiative (if applicable), and the resources available to fund it.

Credit Committee. The loan is then evaluated by the Credit Committee, comprised of Capital Impact's President and Chief Executive Officer, Chief Risk Officer and Chief Lending Officer. The Credit Committee evaluates the loan to determine the strength of the preliminary due diligence conducted by the loan officer, the financials of the prospective borrower, and the proposed structure of the loan.

At least two of the three members of the Credit Committee must approve moving the loan to underwriting. Known exceptions to Capital Impact's underwriting guidelines and conditions to closing are documented by the Credit Committee and must be addressed during the underwriting process; noted exceptions and closing conditions may result in changes in loan structure and/or a requirement for additional credit support. Exceptions to Capital Impact's pricing guidelines must be approved by its Treasurer.

Underwriting. A loan that receives a positive evaluation by the Credit Committee moves to underwriting and a non-binding term sheet is typically issued to the prospective borrower. During underwriting, due diligence is completed; all exceptions to Capital Impact's underwriting guidelines, pricing guidelines, and any applicable lending initiative requirements (including those identified earlier by the Credit Committee) are noted, together with any potential mitigants, and the structure of the proposed loan is modified, if and to the extent necessary to address residual risk. The underwriting is submitted to the Credit Committee and if the issues identified during the initial review by the Credit Committee and underwriting processes have been addressed to the satisfaction of the Credit Committee (and any exceptions to the pricing guidelines have been approved by the Treasurer), the Credit Committee approves the loan. If the underwriting is unsatisfactory, the Credit Committee rejects the loan. If the aggregate principal amount of the loan exceeds the credit limit established by Capital Impact's Board of Directors, it must also be approved by the Board or the Board committee to which approval authority has been delegated.

Commitment Letters. A non-binding commitment letter is issued to the prospective borrower in connection with most approved loans. Commitment letters are developed with the support of Capital Impact's legal department and are reviewed and approved by a Director of Loan Originations and Senior Credit Officer prior to issuance.

Closing. Licensed attorneys within Capital Impact's legal department work with staff in its Lending and Operations departments to document and close all approved loans. Capital Impact's Legal department has developed and consistently leverages standardized forms and processes to manage risks that vary based on the type and location of transaction. Outside counsel is consulted by Capital Impact's Legal department if subject matter expertise is not resident within the department.

Disbursements and Servicing. The Servicing department adds the details of each loan and other borrower-related information into Capital Impact's loan accounting system to enable proper reporting and

management of the asset. Servicers manage billing, payment application and any immediate issues and questions from the borrower. Construction management staff actively manages all aspects of each construction loan, including the general contractor relationship, contract and other due diligence review, draw requests and disbursements, and construction budget management. These processes are intended to ensure that loans are disbursed to borrowers in accordance with applicable loan documentation when conditions to disbursement have been satisfied; payments from borrowers are collected and deposited into the appropriate corporate account(s); an appropriate portion of the payments are remitted to the investors in the loan (if any); and other ministerial functions related to the loan have been completed.

Portfolio Management. Each loan is assigned a risk rating when the loan is closed; ratings are assigned in accordance with Capital Impact's underwriting guidelines. Risk ratings are re-evaluated and adjusted (if necessary) on a periodic basis.

Capital Impact's portfolio management team, with the support of its Legal department, manages all aspects of each loan over its life, including delinquencies, waivers, amendments and modifications, and monitors loan performance and the credit risk related to each loan by conducting annual site visits and periodic loan reviews. The frequency and scope of the site visits and loan reviews vary depending on the risk rating assigned to the loan; risk rating adjustments are typically made as a result of information acquired during the portfolio management process.

Credit Quality and Risk Management

Oversight. The Chief Risk Officer is responsible for monitoring and managing Capital Impact's credit quality and risk management function. Credit quality metrics and trends, the allowance for loan loss, and new loan programs are evaluated and discussed at risk management meetings led by the Chief Risk Officer. Key risk, operations and accounting personnel attend and participate in the meetings. Issues identified during the meetings are assigned to appropriate personnel for resolution.

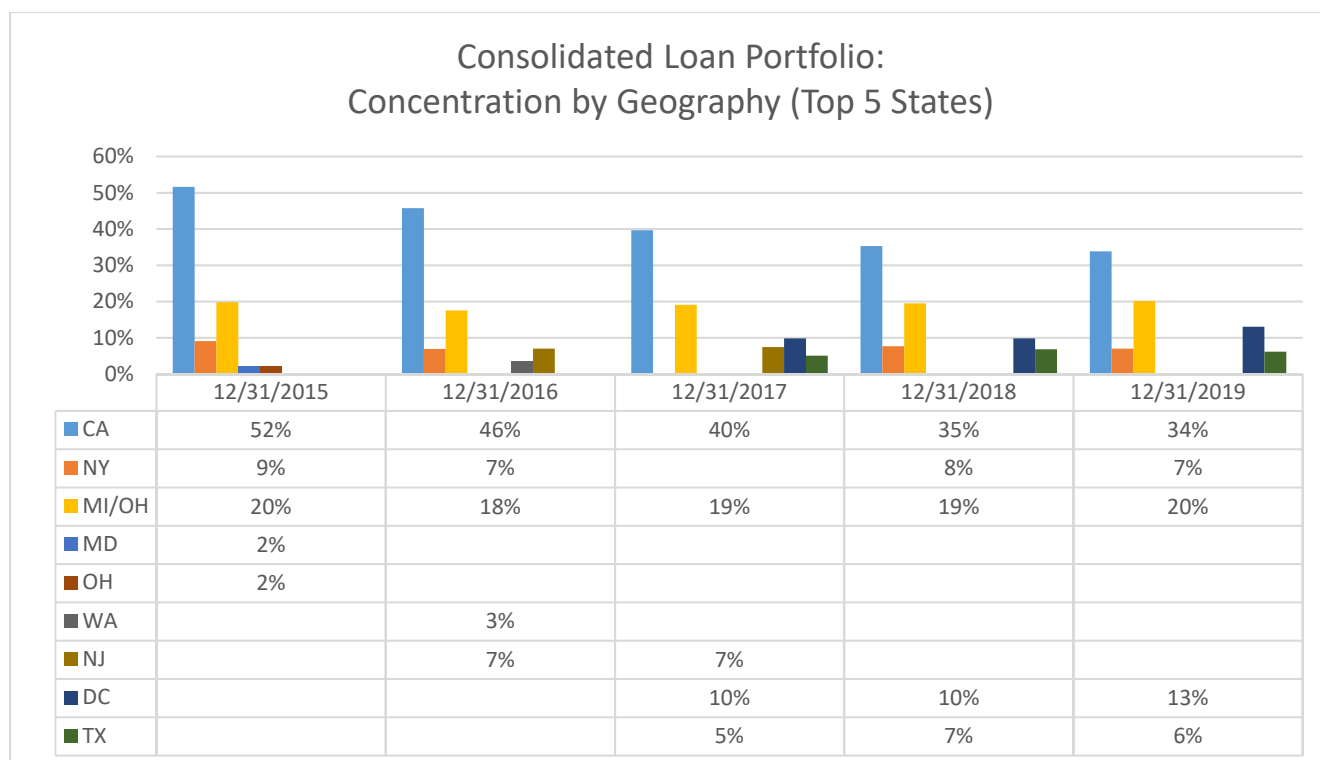
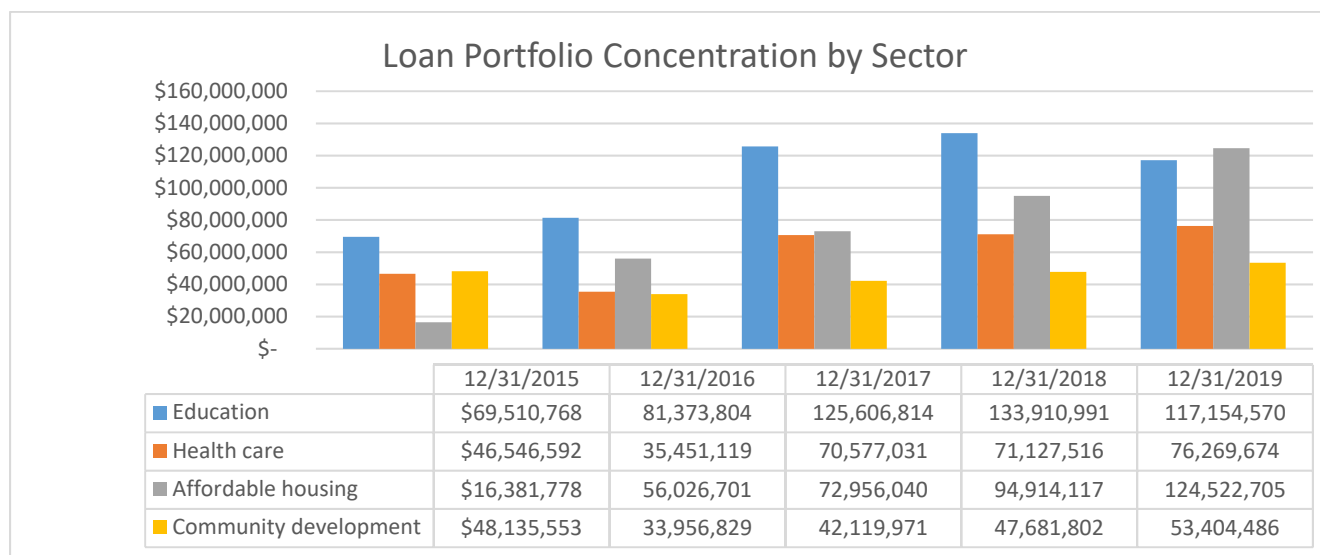
Risk Rating System and Loan Review. Capital Impact maintains a risk rating system that is applied to all loans originated by it or its subsidiaries and to all third party loans that are serviced by Capital Impact. The risk rating system identifies the risks that exist in the portfolio, supports the development of the allowance for loan loss, and provides guidance regarding the level of resources that should be devoted to monitoring a particular credit.

The risk ratings are evaluated each year in the ordinary course of the audit of Capital Impact's consolidated financial statements. Additionally, a random sampling of the loan portfolio is reviewed at least once per year by an independent consultant. The results of the independent loan reviews, which examine, among other things, the risk ratings assigned to the loans, are presented to the Board of Directors.

Diversification and Concentration. Capital Impact seeks to diversify its risk by lending in a variety of sectors and geographies. However, consistent with its strategy and mission, Capital Impact is focused in several specific sectors and geographies. Capital Impact's sectors at the present time are: healthcare, education, affordable housing, and community development. Overlaying the sectors is a focus on particular geographies – specifically California, Michigan and northern Ohio, the Washington, DC metropolitan area, the New York City metropolitan area and central Texas (Austin, San Antonio, Dallas/Fort Worth and Houston), with growth opportunities in other geographies subject to evaluation. Capital Impact also has concentrations in the areas of loan product and loan size. No single loan or borrower represents 10% or greater of Capital Impact's total loan portfolio as of December 31, 2019.

Capital Impact does not have established quantitative lending concentration or geographic limits, but actively monitors the loan portfolio on a quarterly basis. Concentration and geographic risks, and any related changes in approach, are reported to the Board of Directors on a regular basis.

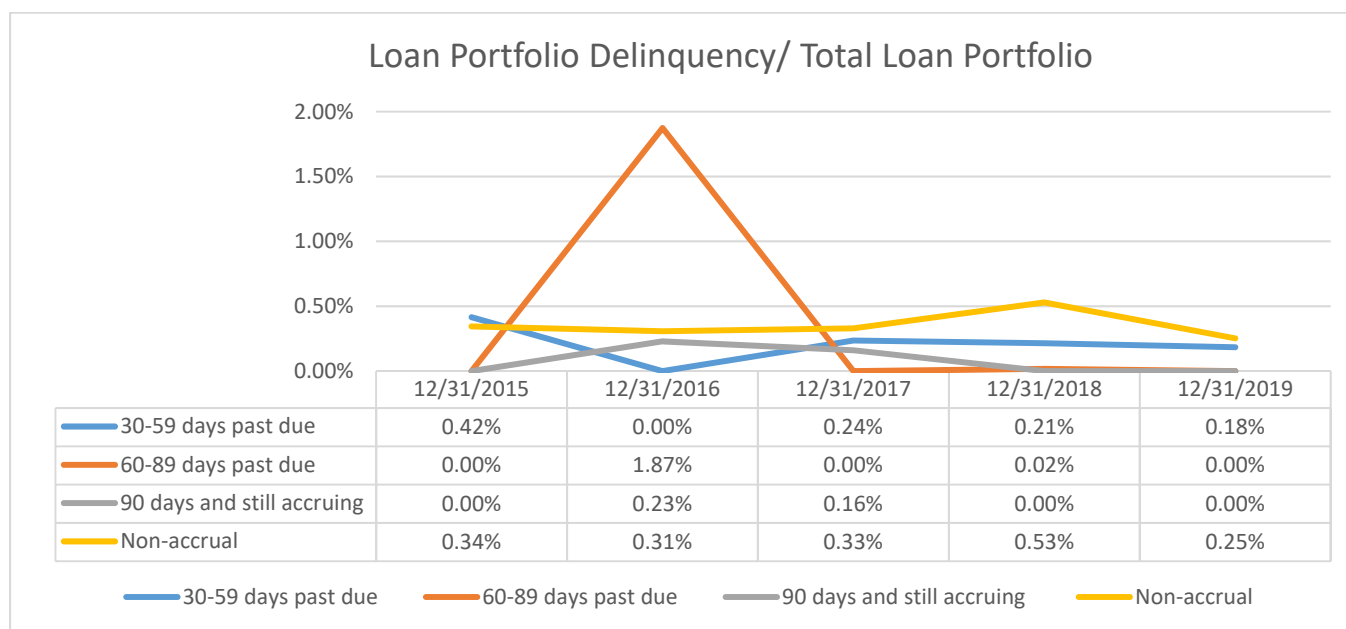
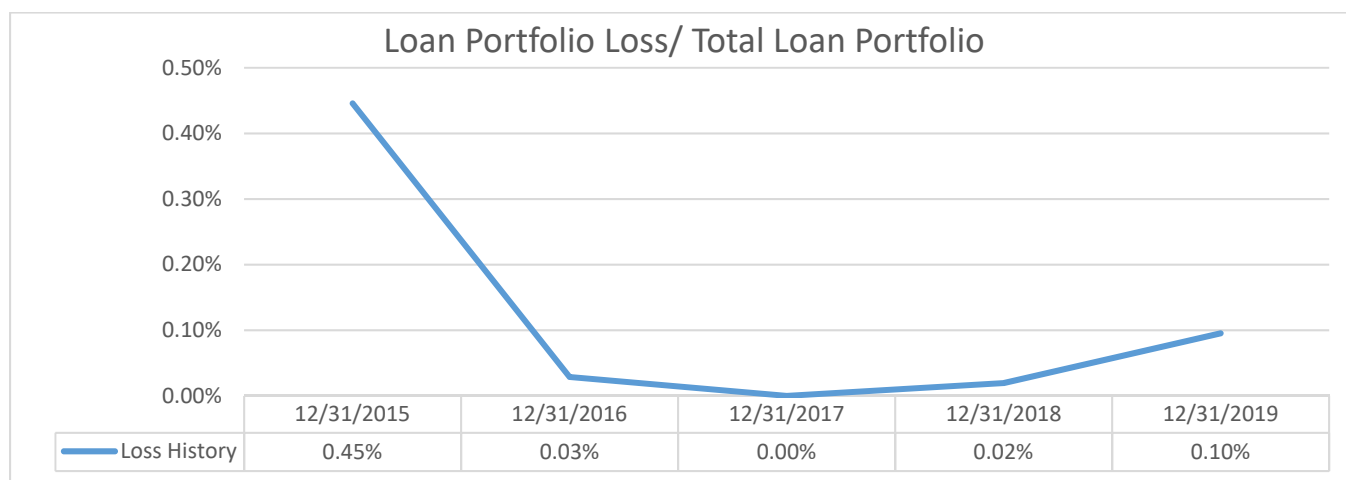
The following charts illustrate Capital Impact’s sector-specific and geographic concentrations. Concentrations will shift over time as new opportunities in new sectors or geographies are integrated into Capital Impact’s strategic plan, or as the Chief Risk Officer determines that shifts in approach are advisable to manage risk:



Loss Reserve. Capital Impact maintains a general allowance for loan loss that is used to reserve against losses in the loan portfolio funded on its balance sheet. The Chief Risk Officer is responsible for the calculation and

evaluation of the allowance on a quarterly basis for the balance sheet loan portfolio. Establishing an appropriate level of allowance for loan loss involves both objective and subjective measures. First, Capital Impact applies a general reserve percentage on all loans in its portfolio based on risk rating assigned. This process provides a numerical calculation to be used as a base figure for the actual allowance. Second, impaired loans are identified as incurred. Each loan is evaluated quarterly to determine the sufficiency of collateral coverage. If appropriate, the value may be discounted further. The outstanding balance (or ultimate commitment) of the loan is compared to the discounted value of the collateral and a specific reserve is identified if the collateral is insufficient. This additional reserve is added to the general reserve calculation. Third, Capital Impact performs a trend analysis on six areas of risk and, if needed, increases the allowance by the calculated amounts. Upon totaling the results of these three steps, a calculation is done to determine the variance from the actual allowance in existence on Capital Impact's financial records. Capital Impact's goal is to have that variance in the range of +/- 5%.

The following charts illustrate Capital Impact's portfolio performance history from 2015 to 2019.



INVESTING ACTIVITIES

Capital Impact's investment policy is to invest its liquid assets in securities that are intended to: (i) preserve principal, (ii) ensure adequate liquidity, (iii) manage interest rate exposure, and (iv) achieve desired rates of return, except to the extent that Capital Impact makes potentially higher risk investments, as described under "Risk Factors" above. These potentially higher-risk investments are typically in cooperative organizations, non-profit organizations, CDFIs and others involved in supporting programs that are generally related to Capital Impact's mission. In addition, Capital Impact invests in securities that are used to provide Capital Impact with a base of eligible collateral to enable it to borrow under its FHLB-A credit facility.

Capital Impact's investment and liquidity management policies are reviewed and approved by the Board each year, and only the Board may approve amendments to such policies. It is the responsibility of the Chief Financial Officer and Chief Administrative Officer to monitor and report compliance with the policies, and the Chief Financial Officer and Chief Administrative Officer, together with his or her designees at Capital Impact are authorized to make investments that are in compliance with the investment and liquidity policies. The following table depicts Capital Impact's cash, cash equivalents, and investments from 2017 to 2019. In 2019, Capital Impact Partners investments generated \$4,321,328 of net investment income.

	2017	2018	2019
Cash, cash equivalents - Unrestricted	\$28,596,868	\$54,798,361	\$40,859,213
Cash, cash equivalents - Restricted	\$29,408,229	\$31,696,272	\$32,180,923
Mortgage Backed and US Treasury Securities	\$48,249,579	\$53,090,027	\$69,466,573
Alternative Investments ⁽¹⁾	\$5,802,541	\$7,110,149	\$38,705,826

⁽¹⁾ For more detailed information regarding Capital Impact's alternative investments, see Note 5 to the audited financial statements included in Appendix 1.

BOARD OF DIRECTORS

Capital Impact's Board is responsible for setting the mission, vision and direction of Capital Impact, and for supervising its executive officers. Accordingly, the Board approves Capital Impact's strategic plan; sets annual corporate goals, which are measured against the strategic plan; approves the annual budget; approves Capital Impact's annual audited financial statements; evaluates executive performance and sets executive compensation; resolves potential conflicts of interest; and ensures that appropriate financial controls are in place.

The Board is comprised of a total of eleven (11) individuals. Directors serve for a term of one (1) year. No director may serve more than eight (8) consecutive terms. The term of each of the Directors currently serving on the Board will expire in May 2021. Capital Impact strives to fill Board vacancies when they occur with individuals who possess core competencies and backgrounds that are aligned with Capital Impact's mission and strategy, and that are complimentary to the qualifications of the directors who are re-elected to serve another term. Board members are reimbursed for out-of-pocket expenses related to Board activities and are eligible to receive a stipend for their service.

The Board may (but is not required to) designate and appoint committees, each consisting of two (2) or more directors. The Board prescribes the powers and functions of each committee. The Board has constituted the following standing committees: an Executive Committee; a Finance, Audit and Risk Committee; and a Policy, Practice and Lending Committee. The committee structure is re-evaluated on an annual basis and may change at the discretion of the Board.

Regular meetings of the Board are held at least quarterly at places and times fixed by the Board. Regular meetings of each Board committee are held at places and times fixed by the committee.

To the knowledge of Capital Impact, no director has been convicted of any criminal activity, is the subject of any pending criminal proceedings, or has been the subject of any order, judgment, or decree of any court enjoining such person from any activities associated with the offer or sale of securities.

The following individuals presently serve on Capital Impact's Board:

Wilson H. Beebe, Jr. (Vice Chair of Board). Wilson Beebe is the retired President of Thanexus, Inc., a cooperative offering human resource management, marketing, communications, and financial services to New Jersey's independently-owned funeral homes; Mr. Beebe founded Thanexus in 2000 and served as its President from 2000-2015. Mr. Beebe is also the retired Chief Executive Officer, having served in that capacity for 30 years, of the New Jersey State Funeral Directors Association. Mr. Beebe is a former trustee of the Association Master Trust; and a director of the National Cooperative Bank, N.A. Mr. Beebe also served as a member of the Board of Directors of the National Cooperative Business Association (NCBA) from 2002 to 2014, and as the Chairman of the NCBA Board from 2011 to 2013. Mr. Beebe earned a Bachelor of Arts in English Literature from Fordham University.

Alaina C. Beverly. Alaina Beverly has been the Assistant Vice President for Urban Affairs in the Office of Federal Relations at the University of Chicago since 2017, where she is responsible for sharing the University's research, scholarship, and models of urban investment with federal policymakers and national partners. At the University of Chicago, Ms. Beverly successfully launched Urban America Forward, an annual convening of national civil rights leaders, scholars, community based practitioners and foundations to examine evidence-based policies to further equity in America's cities. Ms. Beverly was previously a principal at the Raben Group from 2010 to 2013, where she provided strategic planning, communications, government

relations and third-party partnership services to a broad range of non-profit, corporate and philanthropic clients. Ms. Beverly served as Associate Director, Office of Urban Affairs at the White House from 2009-2010. Ms. Beverly earned a B.A. in Political Science and African American Studies from Stanford University, and a J.D. from the University of Michigan Law School.

Jennifer Smith Dolin. Jennifer Smith Dolin is the Vice President of Operations for Mercy Housing California, a public benefit non-profit corporation, where she manages the collaboration between real estate development, in resident services, property management and portfolio services and also runs the retail development and relocation services for low income multi-family housing throughout the state of California. She sits on a number of real estate closely held boards on behalf of Mercy Housing and is a member of the Board of Directors for National Cooperative Bank, N.A. Her commitment to community revitalization began in New York City where she worked in the economic development department of Common Ground. She received her Bachelor of Science degree in Business from Santa Clara University.

Casey P. Fannon. Casey Fannon joined the National Cooperative Bank, N.A. (NCB) in 1996. He is currently the President of NCB and is a member of the bank's Executive Committee, Enterprise Risk Management Committee, Asset Liability Committee and Credit Right Risk Management Committee. As President, Mr. Fannon is responsible for corporate lending and relationship management for the bank's cooperative markets and customers. Prior to this role, Mr. Fannon served as Vice President for the bank and was responsible for overseeing the bank's business development and loan production for New York and national cooperative housing and traditional commercial real estate lines of business. Mr. Fannon has also held positions in the bank's Real Estate Group, Strategic Initiatives Group, and Capital Markets group. He received a BS in Finance from Bentley University and is a Chartered Financial Analyst charter holder.

Pedro I. Goitia (Chair of Board). Mr. Goitia is a retired Partner from KPMG, where he spent his entire career (32 years). After spending 11 years in the audit department serving banking and other financial institutions, he was promoted to Partner in 1995 and moved to the advisory department to specialize in the structured finance and mortgage banking industries. During his 21 years as a Partner, he lead/co-lead the securitization group, served as account representative for several large local and national securitization and mortgage banking clients and was project manager on multi-year engagements involving risk management process, financial reporting processes/controls and compliance testing of credit agreements. Throughout his career, Mr. Goitia was heavily involved in diversity and inclusion initiatives, serving as Partner Champion of the DC Area Hispanic Latino Network and Trustee of the KPMG Foundation. Mr. Goitia earned a B.S.B.A. from Washington University in St. Louis in 1983 and a Master's Degree in Accountancy from the George Washington University in 1984. He is a Certified Public Accountant.

Paul Hazen. Paul Hazen has been the Executive Director of the U.S. Overseas Cooperative Development Council (OCDC) since 2012; Mr. Hazen was a member of the Board of Directors of OCDC from 1999 to 2011, and the Chairman of the OCDC Board from 2009 to 2011. Mr. Hazen is a founder of the Community Purchasing Alliance Cooperative Board of Directors. Mr. Hazen served as the Chief Executive Officer of the National Cooperative Business Association (NCBA) from 1999 to 2011, and in other executive level positions at the NCBA from 1989 to 1999. Mr. Hazen was President of DotCooperation LLC from 2000 to 2011. Mr. Hazen was on the Board of Directors of the Consumer Federation of America from 1987 to 2001; the Cooperative Development Foundation from 1999 to 2011; Cooperative Business International from 1999 to 2010; the International Cooperatives Alliance from 2006 to 2014, and he is currently a director of the National Cooperative Bank, N.A. Mr. Hazen earned a B.A. in Economics and Finance from the University of Wisconsin.

Eli Kennedy. Eli Kennedy has been the Chief Executive Officer of SMASH, a non-profit organization focused on helping students enter and succeed in STEM majors and careers, since 2016. Mr. Kennedy is also a member of the Board of Directors of Pacific Charter School Development (PCSD) and the Diversity Council for code.org. Mr. Kennedy was the Senior Vice President – School Programs at Redbird Advanced Learning from 2014 to 2015; the President and Chief Executive Officer of PCSD from 2010 to 2014; the Director of the Eli and Edythe Broad Foundation from 2006 to 2010; and a Regional Director of Platform Learning from 2004 to 2006. Mr. Kennedy earned a B.B.A. in Finance from Howard University and an M.B.A. in Entrepreneurial Management from the Wharton School of the University of Pennsylvania.

Gail Markulin. Gail Markulin is the retired Director of Capital Markets for the Federal Home Loan Bank-Office of Finance (FHLBank); Ms. Markulin worked at FHLBank for more than 27 years, serving in various capital markets positions. Ms. Markulin currently serves on the Board of Directors for Aspire! Afterschool Learning and previously volunteered as a tutor and mentor with AHC, Inc. a nonprofit affordable housing developer of low- and moderate-income housing in Virginia, Maryland and Washington, D.C. Ms. Markulin earned an M.B.A. in Finance from George Washington University and a B.A. from Pennsylvania State University.

Ray Moncrief. Ray Moncrief currently serves as Executive Vice President and Chief Operating Officer of Outdoor Venture Corporation and has served on its Board of Directors since 1983. Mr. Moncrief is the President and Chief Executive Officer of Mountain Ventures, Inc., a licensed SBIC, wholly owned by Kentucky Highlands. He is also President and Chief Executive Officer and a board member of Southern Appalachian Management Company, LLC and Eclipse Management, LLC, the General Partner of Meritus Ventures, L.P. President Donald Trump and President George W. Bush appointed Mr. Moncrief to the Community Development Advisory Board. Mr. Moncrief is a founding director and is currently Chairman of the Board of Directors of the Community Development Venture Capital Alliance (CDVCA). He received the NASVF Lifetime Achievement in Seed Investing Award. This award was presented to him by the National Association of Seed and Venture Funds in 2012. Mr. Moncrief is an active Director on six corporate Boards of Directors and has been an advocate for using equity for economic development. Mr. Moncrief earned a B.S. Degree in Accounting from Louisiana Tech University in 1972.

Dan Varner (Board Chair). Dan Varner has been the Chief Executive Officer of Goodwill Industries of Greater Detroit, a non-profit organization focused on employment training, education, support and job placement programs for residents of Greater Detroit, since 2016. Mr. Varner served as Chief Executive Officer at Excellent Schools Detroit from 2011 to 2016, and worked as a Program Officer at the W.K. Kellogg Foundation on both the Michigan and Education & Learning teams from 2010 to 2011. Mr. Varner was the cofounder of Think Detroit; he served as the Chief Operating/Finance Officer from 2000 to 2006, and the Chief Executive Officer of Think Detroit PAL, which was the result of a merger with the Detroit Police Athletic League, from 2006 to 2010. Mr. Varner earned a B.A. from the University of Michigan and a J.D. from the University of Michigan Law School.

David B. Vliet. Mr. Vliet has been the Chief Executive Officer of LifeLong Medical Care since 2020, a non-profit organization providing medical, dental, and social services in California's Alameda and Contra Costa Counties as well as Adult Day Health Center services in Marin County. Mr. Vliet has more than 25 years of experience in practice management and health services administration and previously served as the Chief Executive Officer of Tiburcio Vasquez Health Center, Inc. from 2012 to 2020; Chief Executive Officer of Central Texas Community Health Centers, Inc. from 2005 to 2012; and as Chief Operating Officer of Austin/Travis County Community Health Centers from 2002 to 2005. Mr. Vliet has served on the Board of Directors of numerous organizations, and currently serves on various local, regional and national boards, including as current chair for the Community Health Center Network, a partnership of Alameda county based community

health centers and A Better Way, Inc., a nonprofit serving foster children and their families; the incoming chair of the California Primary Care Association; and as a director of the National Cooperative Bank, N.A., a national financial institution that provides banking and financial services to cooperatives and community based organizations, Health Outreach Partners, Inc., the American Heart Association and the National Association of Community Health Center Mr. Vliet earned a B.H.A. from Florida Atlantic University and an M.B.A. from Nova Southeastern University, Huizenga School of Business and Entrepreneurship.

The following sets forth board member compensation during 2019:

Board Member	Compensation
Wilson Beebe, Jr	\$2,000
Alaina Beverly	\$4,000
Jennifer Smith Dolin ¹	\$1,000
Casey Fannon	\$2,000
Pedro Goitia	\$3,000
Paul Hazen	\$2,000
Eli Kennedy	\$3,000
Gail Markulin	\$4,000
Ray Moncrief ²	\$0
Domingo Rodriguez ³	\$2,000
Mary Ann Rothman ⁴	\$1,000
Daniel Varner	\$4,000
David Vliet	\$2,000
¹ <i>Elected as Board member in May 2019.</i>	
² <i>Elected as Board member in February 2020.</i>	
³ <i>Mr. Rodriguez passed away on January 20, 2020.</i>	
⁴ <i>Term as Board member expired in May 2019.</i>	

MANAGEMENT TEAM AND KEY EMPLOYEES

Capital Impact's principal executive office is located at 1400 Crystal Drive, Suite 500, Arlington, Virginia 22202.

Ellis Carr, President and Chief Executive Officer. Ellis Carr has more than 20 years of experience in the financial services and mortgage industries. Mr. Carr served as Capital Impact's Chief Financial Officer and Treasurer from July, 2012 until his appointment as President and Chief Executive Officer in May, 2016. Prior to joining Capital Impact, he held various positions in the investments, capital markets, strategy and corporate finance areas within Freddie Mac and in fixed income fund management both domestically and abroad at Deutsche Bank. Mr. Carr is an Aspen Institute Finance Leader Fellow; serves on Morgan Stanley's Community Development Advisory Board; serves on the San Francisco Federal Reserve, Community Development Advisory Board; is the Board Chair for Martha's Table; and Board Treasurer for HPN (the Housing Partnership Network). He received the Minority Business Leader Award and was recognized as one of the "Top 40 under 40" business executives by the Washington Business Journal in 2019 and 2015. Mr. Carr

graduated from Towson University with an undergraduate degree in accounting, and from Georgetown University with a master's degree in real estate with a concentration in finance.

Natalie Gunn, Chief Financial Officer and Chief Administrative Officer. Natalie Nickens Gunn is responsible for formulating and executing Capital Impact's financial road map, capital base expansion, and investor relations. She also manages the overall direction for accounting, tax, audit, treasury and financial planning and analysis, and is responsible for Capital Impact's Information Technology, Human Resources and Corporate Services functions. Mrs. Gunn has corporate financing and accounting experience across the public and private sectors, including serving as Capital Impact's Controller before stepping into the Chief Financial Officer and Chief Administrative Officer position. Prior to joining Capital Impact, she held senior positions at the Government National Mortgage Association (Ginnie Mae), National Cooperative Bank, N.A. (NCB), Capital Automotive REIT, Host Hotels and Resorts and PricewaterhouseCoopers. Mrs. Gunn is a Certified Public Accountant and graduated magna cum laude from Hampton University with a degree in accounting, and serves on the Board and Finance Committee of Pathways for Housing, DC.

Diane Borradaile, Chief Lending Officer. Diane Borradaile leads the Capital Impact team that provides financing to community-based healthcare providers, nonprofit educational institutions, affordable housing developers, cooperative businesses, retail grocers and wholesalers, and other affiliated organizations nationwide. She has more than 35 years of experience in community development finance across the private and public sectors. Prior to joining Capital Impact, Ms. Borradaile held senior positions at the Low Income Investment Fund, Bank of America, Citibank, and Chase Manhattan Bank. She holds a Masters of Public Administration from The Maxwell School, Syracuse University, an undergraduate degree from The University of Michigan. She is a board member of ROC USA board, the Charter School Financing Partnership and serves as the Board Vice President for the Neighborhood Restore Housing Development Fund Corporation.

Carolyn Bauer, Chief Risk Officer. As Chief Risk Officer, Carolyn Bauer is responsible for Capital Impact's enterprise risk management function, portfolio management, servicing and operations. Her key areas of focus include new program development, credit risk management, investor relations internal process enhancements and the development and implementation of systems to support mission critical business processes and data integrity projects. Prior to joining Capital Impact in 1995, Ms. Bauer spent three years as a loan review manager for National Cooperative Bank, N.A. (NCB) and four years as a bank examiner for the U.S. Office of Thrift Supervision. She holds an undergraduate degree from Virginia Tech and an MBA from the University of Maryland. Ms. Bauer is also a Certified Public Accountant.

Danielle Graceffa, Interim General Counsel, Chief Compliance Officer and Corporate Secretary. Danielle Graceffa is serving as the interim General Counsel, Chief Compliance Officer, and Corporate Secretary. In this role, she oversees all legal matters involving Capital Impact Partners, is responsible for Capital Impact's compliance function, and advises the Board on governance and other matters relevant to the Board's oversight function. Prior to joining Capital Impact in 2016 as Senior Director, Legal Services and then as Assistant General Counsel, Ms. Graceffa was a partner in the law firm of Dykema Gossett. Ms. Graceffa is a graduate of the University of Detroit Mercy (BA 2003) and Wayne State University Law School (JD 2006). She is admitted to practice law in Michigan.

Jaret Ings, Senior Director of Finance and Treasurer. Mr. Ings has the responsibility of overseeing the Treasury and Financial Analysis functions, which includes cash and investment management, debt portfolio management, debt capital markets, investor relations, compliance, managing bank relationships, and financial analysis. Prior to joining Capital Impact, Mr. Ings served in a senior treasury leadership capacity at National Railroad Passenger Corporation ("Amtrak"). Prior to joining Amtrak, Mr. Ings worked in Corporate

Banking and Financial Services with PNC Bank, N.A., SunTrust Bank, N.A. and Ford Motor Credit Company. Mr. Ings is a graduate of Florida Agricultural & Mechanical University (B.S. Business Administration, Finance Concentration) and Florida Atlantic University (M.B.A., Accounting Concentration).

EXECUTIVE COMPENSATION

The following table lists the total compensation of Capital Impact's highest paid employees during the year ended December 31, 2019. No staff member receives sales-related commissions.

Name	Title	Compensation (2019)
Ellis Carr	President and Chief Executive Officer	\$ 483,918
Natalie Gunn	Chief Financial Officer and Chief Administrative Officer	\$ 355,075
Carolyn Bauer	Chief Risk Officer	\$ 289,166
Amy Sue Leavens¹	General Counsel, Chief Compliance Officer and Corporate Secretary	\$ 309,333
Diane Borradaile	Chief Lending Officer	\$ 312,055

¹ Amy Sue Leavens resigned as General Counsel, Chief Compliance Officer and Corporate Secretary in July 2020.

LEGAL PROCEEDINGS

There are no material legal proceedings presently pending against Capital Impact or any of its directors, officers, or employees acting in their capacity as representatives of Capital Impact.

CAPITALIZATION

Capital Impact's capitalization as of December 31, 2019 is shown below.

	Amount Outstanding
Debt:	
Revolving Lines of Credit	\$ 54,000,000
Notes Payable	\$ 70,655,976
Capital Impact Investment Notes	\$ 136,608,000
Subordinated debt	\$ 2,500,000
FHLB-A	\$ 47,271,304
CDFI Fund BGP	\$ 58,908,325
Subtotal Debt	\$ 369,943,605
Less: Capital Impact Investment Notes issuance costs	(\$ 2,037,093)
Total Debt	\$ 367,906,512
Net assets:	
Without donor restrictions ⁽¹⁾	\$ 106,859,410
Noncontrolling interest ⁽²⁾	\$ 30,104,079
Total net assets without donor restrictions	\$ 136,963,489
With donor restrictions ⁽³⁾	\$ 27,445,685
Total net assets	\$ 164,409,174
Total Capitalization	\$ 532,315,686

¹ Net assets without donor restrictions have no external restrictions regarding their use or function.

² Represents the non-managing member's 80% equity interest in Community Investment Impact Fund, LLC and Community Investment Impact Fund II, LLC, which is exclusive of Capital Impact's equity interest.

³ Net assets with donor restrictions have donor-imposed restrictions such as (i) fulfilling a specified purpose, and/or (ii) the passage of a specified amount of time regarding use or function.

Additional information on Capital Impact’s net assets as of December 31, 2019 is shown below:

Purpose	Portion of Total Net Assets	Restriction(s) and Possible Uses
Net Assets without Donor Restrictions		
Without Donor Restrictions	65%	Unrestricted
Noncontrolling Interest	18%	Unrestricted
Net Assets with Donor Restrictions		
Programs	2%	General Operating
Credit Enhancement	10%	Credit Enhancement
Financing	5%	Lending Activity
Total	100%	

Debt Composition and Sources

Sources of Debt at December 31, 2019

Type of Investor	Number of Investors	Total Debt Payable	% of Total Debt Payable	Average per Investor
Financial Institutions	8	\$ 72,500,000	20%	\$ 9,062,500
Foundations/CDFI	10	\$ 54,655,976	15%	\$ 5,465,598
Federal Government/FHLB	2	\$ 106,179,629	29%	\$ 53,089,815
Total¹	20	\$ 233,335,605	64%	\$ 11,666,780

- 1 Does not include Capital Impact Investment Notes, of which \$136,608,000 was outstanding as of December 31, 2019 (representing 37% of total loans payable as of December 31, 2019), as these Notes are held by investors in book-entry form through their brokerage account. Thus, the identity of investors in Capital Impact Investment Notes is unknown.

With the exception of its revolving lines of credit, Capital Impact’s debt carries a fixed rate.

Although Capital Impact does not have a policy in place which specifically limits the level of senior secured indebtedness that can be incurred by Capital Impact, there are a number of policies and practices in place that address the issue, including (i) a Board-approved policy called the “Delegations of Authority,” which requires management to seek the approval of the Board prior to incurring indebtedness, (ii) multiple third party credit agreements, which require Capital Impact to actively monitor and manage financial covenants, including covenants relating to the level and type of indebtedness incurred by Capital Impact, (iii) the supervision and oversight of enterprise risk by the Chief Risk Officer, pursuant to Capital Impact’s Enterprise Risk Management Policy, and (iv) the supervision and oversight of the General Counsel and Chief Compliance Officer with respect to risk-related compliance matters.

Remaining Term on Debt at December 31, 2019

Year of Debt Maturity	Total Debt Maturing	% of Total Debt
2020	\$46,814,142	13%
2021	\$46,123,449	12%
2022	\$58,116,136	16%
2023	\$32,747,828	9%
2024 and Beyond	\$186,142,050	50%
Total	\$369,943,605	100%

Largest Debt Investors at December 31, 2019

Five Largest Investors	Dollar Amount Outstanding	% of Total Debt	Final Maturity	Characteristics	Secured or Unsecured
CDFI BGP 2014 & 2016	\$ 58,908,325	16%	December 2045	Federal Government/FHLB	Secured
FHLB	\$ 47,271,304	13%	December 2029	Federal Government/FHLB	Secured
JPMorgan Chase	\$ 23,700,000	6%	September 2021 & May 2023	Financial Institution	Unsecured
The California Endowment	\$ 15,000,000	4%	December 2027 & August 2030	Foundation/CDFI	Unsecured
Impact Community Capital	\$ 10,000,000	3%	January 2022	Foundation/CDFI	Unsecured
HSBC	\$ 10,000,000	3%	May 2024	Financial Institution	Unsecured
U.S. Bank	\$ 10,000,000	3%	June 2020	Financial Institution	Unsecured
Total Debt from Five Largest Investors¹	\$ 174,879,629	48%			

¹ Does not include Capital Impact Investment Notes, of which \$136,608,000 was outstanding as of December 31, 2019 (representing 37% of total loans payable as of December 31, 2019), as these Notes are held by investors in book-entry form through their brokerage account. Thus, the identity of investors in Capital Impact Investment Notes is unknown.

DESCRIPTION OF THE NOTES

This section provides detail on the legal and financial terms of the Notes. Final terms of any particular Note will be determined at the time of sale and will be set forth in the accompanying pricing supplement relating to those Notes, and may vary from and supersede the terms set forth in this prospectus. Before deciding to purchase any Notes, investors should read the more detailed information appearing elsewhere in this document.

What is a Capital Impact Investment Note?

The Capital Impact Investment Notes are notes issued by Capital Impact that help channel investment capital to social and economic impact investments in the United States. The Notes pay a fixed interest rate that is determined by market conditions at issuance and can be purchased with a term of 1, 3, 5, 7, 10 or 15 years.

Seniority; Security

The Notes are unsecured general obligations of Capital Impact. Capital Impact has outstanding other unsecured general obligations and secured obligations. Moreover, the Indenture does not restrict Capital Impact from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Notes. Finally, Capital Impact's subsidiaries have outstanding obligations and the Notes will be effectively subordinated to such obligations.

Who Can Invest

The Notes are marketed to both individual and institutional investors.

Minimum Investment

The minimum investment for the Notes is \$1,000.

Distribution

Capital Impact will offer the Notes through registered broker-dealers. The Notes may be offered to or through Incapital LLC, as Lead Agent for resale to other registered broker-dealers. Incapital LLC, or any other Agent appointed by Capital Impact, is not required to purchase or sell any specific amount of Notes but sells the Notes on a best-efforts basis.

How to Invest / Purchase Method

The Notes are available for purchase in book-entry form, which means they may be purchased electronically through the investor's brokerage account and settled through DTC. Interest rates are set at the time of issuance and are determined by current market conditions. Interest rates for the Notes will be set forth in the accompanying pricing supplement relating to those Notes. The DTC arrangement is described below in the section entitled "— Book-Entry Notes and DTC" on page 55. U.S. Bank serves as issuing agent, registrar, and Paying Agent of global book-entry Notes. Capital Impact has appointed Incapital LLC as the Lead Agent, which in turn has established a selling group of registered broker-dealers. Notes may be purchased through any broker-dealer participating in the Incapital LLC selling group. Investors must consult the current pricing

supplement, available from participating brokerages, in addition to this prospectus for applicable Note terms. To purchase Notes, please contact your financial advisor or brokerage firm.

CUSIP Numbers

Capital Impact will assign CUSIP numbers at the time Notes are offered for sale. “CUSIP” is an acronym that refers to Committee on Uniform Security Identification Procedures and the nine-digit, alphanumeric CUSIP numbers that are used to identify securities such as the Notes. A CUSIP number, similar to a serial number, is assigned to each maturity of a security issue. For more information regarding CUSIP numbers, please see the applicable pricing supplement or visit Capital Impact’s website www.capitalimpact.org.

Trust Indenture

All Notes are subject to a Trust Indenture, with U.S. Bank serving as Indenture Trustee. Under the Trust Indenture and subject to the terms of the Trust Indenture, the Indenture Trustee will take specified actions on behalf of Noteholders in the event of a default on the Notes. Certain issues relating to the Trust Indenture are set forth beginning on page 57. Upon request, Capital Impact provides copies of the Trust Indenture, which defines the rights of Noteholders.

Interest Accrual and Interest Periods

Notes begin to accrue interest on the issuance date and mature on the relevant anniversary of issuance. Interest accrues on a 360-day year based on twelve 30-day months. Interest is paid out quarterly and cannot be reinvested. Interest rates on the Notes will be fixed rate.

The interest payment dates for a Note will be the fifteenth day of every third month, commencing in the third succeeding calendar month following the month in which the Note is issued, unless such calendar day is not a business day, in which case the interest payment shall be made on the next succeeding business day. The first payment of interest under a Note shall be an amount equal to interest accruing during the period commencing on the closing date of the Note and ending on the fifteenth day of the third calendar month that follows such closing date (the “First Interest Period”). Subsequent payments of interest under the Note shall be in an amount equal to interest accruing during each period of three calendar months that follow the First Interest Period. Interest will be payable to the person in whose name a Note is registered at the close of business on the regular record date before each interest payment date. The first payment of interest on any Note originally issued between a regular record date and an interest payment date will be made on the interest payment date following the next succeeding regular record date to the registered owner of the Note on such next succeeding regular record date. The principal and interest payable at maturity will be paid to the person in whose name the Note is registered at the time of payment. Unless otherwise specified in the applicable pricing supplement, the regular record date for an interest payment date will be the first calendar day of the month in which the interest payment date falls.

Options at Maturity / Reinvestments

Principal is automatically repaid at maturity, but investors have the option to re-invest their repaid principal by purchasing new Notes at then-current interest rates and terms offered by Capital Impact.

Redemption

Notes may be redeemable by Capital Impact prior to stated maturity at Capital Impact's option, as provided in the relevant pricing supplement. Notes will not be repayable at the option of the Note holder prior to stated maturity date, except as provided under "Survivor's Option" below or in the relevant pricing supplement.

Survivor's Option

Subject to the repayment limitations described below, the "Survivor's Option" is a provision in the Notes pursuant to which Capital Impact agrees to repay the Notes, if requested by the authorized representative of the beneficial owner of those Notes, following the death of the beneficial owner of the Notes, so long as the Notes were owned by that beneficial owner or the estate of that beneficial owner at least six (6) months prior to the request and certain documentation requirements are satisfied.

Upon the valid exercise of the Survivor's Option and the proper tender of the Notes for repayment, subject to the repayment limitations described below, we will repay the Notes, in whole or in part, at a price equal to 100% of the principal amount of the deceased beneficial owner's interest in the Notes plus unpaid interest accrued to the date of repayment.

To obtain repayment pursuant to exercise of the Survivor's Option for Notes, the deceased beneficial owner's authorized representative must provide the following items to the broker or other entity through which the beneficial interest in the Notes is held by the deceased beneficial owner within one year of the date of death of the beneficial owner:

- a written instruction to such broker or other entity to notify DTC of the authorized representative's desire to obtain repayment pursuant to exercise of the Survivor's Option;
- appropriate evidence satisfactory to the Indenture Trustee and Capital Impact (a) that the deceased was the beneficial owner of the Notes at the time of death and his or her interest in the Notes was owned by the deceased beneficial owner or his or her estate at least six months prior to the request for repayment, (b) that the death of the beneficial owner has occurred, (c) of the date of death of the beneficial owner, and (d) that the representative has authority to act on behalf of the beneficial owner;
- if the interest in the Notes is held by a nominee of the deceased beneficial owner, a certificate or letter satisfactory to the Indenture Trustee and Capital Impact from the nominee attesting to the deceased's beneficial ownership of such Notes;
- a written request for repayment signed by the authorized representative of the deceased beneficial owner with the signature guaranteed by a member firm of a registered national securities exchange or of the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company having an office or correspondent in the United States;
- if applicable, a properly executed assignment or endorsement;
- tax waivers and any other instruments or documents that the Indenture Trustee and Capital Impact reasonably require in order to establish the validity of the beneficial ownership of the Notes and the claimant's entitlement to repayment; and

- any additional information the Indenture Trustee or Capital Impact reasonably require to evidence satisfaction of any conditions to the exercise of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repayment of the Notes.

In turn, the broker or other entity will deliver each of these items to the Indenture Trustee, together with evidence satisfactory to the Indenture Trustee from the broker or other entity stating that it represents the deceased beneficial owner.

A beneficial owner of a Note is a person who has the right, immediately prior to such person's death, to receive the proceeds from the disposition of that Note, as well as the right to receive payment of the principal of the Note.

The death of a person holding a beneficial ownership interest in a Note as a joint tenant or tenant by the entirety with another person, or as a tenant in common with the deceased holder's spouse, will be deemed the death of a beneficial owner of that Note, and the entire principal amount of the Note held in this manner will be subject to repayment by Capital Impact upon exercise of the Survivor's Option. However, the death of a person holding a beneficial ownership interest in a Note as tenant in common with a person other than such deceased holder's spouse will be deemed the death of a beneficial owner only with respect to such deceased person's interest in the Note, and only the deceased beneficial owner's percentage interest in the principal amount of the Note will be subject to repayment.

The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in a Note will be deemed the death of the beneficial owner of that Note for purposes of the Survivor's Option, regardless of whether that beneficial owner was the registered holder of the Note, if the beneficial ownership interest can be established to the satisfaction of the trustee. A beneficial ownership interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers to Minors Act or Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife. In addition, the beneficial ownership interest in a Note will be deemed to exist in custodial and trust arrangements where one person has all of the beneficial ownership interest in that Note during his or her lifetime.

Capital Impact has the discretionary right to limit the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted by us from authorized representatives of all deceased beneficial owners in any calendar year to an amount equal to the greater of \$1,000,000 or 1% of the aggregate principal amount of all Notes outstanding as of the end of the most recent calendar year. Capital Impact also has the discretionary right to limit to \$250,000 in any calendar year the aggregate principal amount of Notes as to which exercises of the Survivor's Option shall be accepted by Capital Impact from the authorized representative of any individual deceased beneficial owner of Notes in such calendar year. In addition, Capital Impact will not permit the exercise of the Survivor's Option except in principal amounts of \$1,000 and multiples of \$1,000 and, in the event that the limitations described in this paragraph would result in the partial repayment of any Note, the principal amount of such Note remaining outstanding after repayment must be at least \$1,000.

An otherwise valid election to exercise the Survivor's Option may not be withdrawn. Each election to exercise the Survivor's Option will be accepted in the order that elections are received by the Indenture Trustee, except for any Note the acceptance of which would contravene any of the limitations described in the preceding paragraph. Notes accepted for repayment through the exercise of the Survivor's Option normally will be repaid on the first interest payment date that occurs twenty (20) or more calendar days after the date

of the acceptance. Each tendered Note that is not accepted in any calendar year due to the application of any of the limitations described in the preceding paragraph will be deemed to be tendered in the following calendar year in the order in which all such Notes were originally tendered. If a Note tendered through a valid exercise of the Survivor's Option is not accepted, the Indenture Trustee will deliver a notice by first-class mail to the authorized representative of the deceased beneficial owner that states the reason that Note has not been accepted for repayment.

All other questions regarding the eligibility or validity of any exercise of the Survivor's Option will be determined by Capital Impact, in its sole discretion, which determination will be final and binding on all parties. For the avoidance of doubt, Capital Impact also retains the right to reject in its sole discretion any exercise of the Survivor's Option where the deceased held no or only a minimal beneficial ownership interest in the Notes and entered into arrangements with third parties in relation to the Notes prior to death for the purpose of permitting or attempting to permit those third parties to directly or indirectly benefit from the exercise of the Survivor's Option.

For assistance with the exercise of the Survivor's Option, please contact U.S. Bank by email at cts.survivor.options@usbank.com or call 800-934-6802.

Events of Default

Notes will become immediately due and payable upon the occurrence of certain insolvency events of Capital Impact, as specified in Section 5.01 of the Indenture. Upon the occurrence of other "Events of Default" with respect to any series of Notes specified in Section 5.01 of the Indenture, the Indenture Trustee may, and shall, if so directed by the holders of not less than twenty-five percent (25%) of the aggregate outstanding amount of such Series of Notes, declare that the Notes are immediately due and payable. Such events include, among other things, non-payment of principal or interest.

Secondary Market

The nature of this offering does not presently afford the opportunity of a secondary market. The Lead Agent and other Agents appointed by Capital Impact may make secondary market transactions, but are not obligated to do so. Consequently, the purchase of a Note should be viewed as an investment to be held to maturity.

Interest Payments and Tax Considerations

This summary of U.S. federal income tax considerations is for general information purposes only, is not relevant to all noteholders of the Notes, and is not tax advice. This summary does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to a particular noteholder in light of the prospective noteholder's circumstances. For instance, it does not address special rules that may apply if the noteholder is a financial institution or tax-exempt organization, or if the noteholder is not a citizen or resident of the United States or holds its investment in the notes in an Individual Retirement Account (IRA).

Any interest paid or accrued on a Note will be income to the holder for federal income tax purposes. Although the Issuer is a 501(c)(3) organization, a noteholder is not entitled to a deduction with respect to the Notes it purchases. The purchase of a Note is not deemed a charitable contribution. Non-exempt noteholders will be provided with a Form 1099-INT in January of each year indicating the interest earned on their Notes in the prior year. Payments of principal and interest may be subject to "back-up withholding" of U.S. federal income tax if a non-exempt noteholder fails to furnish a correct Social Security Number or tax

identification number, or if the Internal Revenue Service (“IRS”) informs the applicable withholding agent that the noteholder is subject to back-up withholding.

In addition, for certain noteholders, if the interest paid to the noteholder is below the applicable federal rate the IRS may impute income up to that applicable federal rate.

If the laws addressed in this “Interest Payments and Tax Considerations” summary change, this summary could become inaccurate. This summary is based on the Code, the regulations promulgated under the Code and administrative interpretations and court decisions existing as of the date of this prospectus. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in the Notes after the date of this prospectus.

Consult your tax adviser regarding the effect on your taxes, if any, of accepting a below-market rate of return on your investment.

Book-Entry Notes and DTC

Capital Impact will issue the Notes in the form of one or more permanent global book-entry Notes fully registered and deposited with or on behalf of DTC and registered in the name of Cede & Co., as nominee of DTC.

DTC has advised Capital Impact as follows:

- DTC is a limited-purpose trust company under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under Section 17A of the Securities Exchange Act.
- DTC holds securities that its participants deposit and facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities, through electronic computerized book-entry changes in participants’ accounts, thereby eliminating the need for physical movement of securities certificates.
- Direct participants include securities brokers and dealers, trust companies, clearing corporations and other organizations.
- DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is owned by the users of its regulated subsidiaries.
- Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.
- The rules applicable to DTC and its participants are on file with the SEC.

Capital Impact has provided the following descriptions of the operations and procedures of DTC solely as a matter of convenience. These operations and procedures are solely within the control of DTC and may be subject to change. Neither Capital Impact nor the Indenture Trustee takes any responsibility for these

operations or procedures, and you are urged to contact DTC or its participants directly to discuss these matters.

Capital Impact expects that under procedures established by DTC:

- Upon deposit of the global Notes with DTC or its custodian, DTC will credit through its internal system the accounts of its direct participants with portions of the principal amounts of the global book-entry Notes.
- Ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC or its nominee, with respect to interests of direct participants, and the records of direct and indirect participants, with respect to interests of persons other than participants.

The laws of some jurisdictions require purchasers of securities to take physical delivery in definitive form. Accordingly, the ability to transfer interests in the book-entry Notes represented by a global book-entry Note to those persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a global book-entry Note to pledge or transfer those interests to persons or entities that do not participate in DTC's system, or otherwise to take actions in respect of such interest, may be affected by the lack of a physical definitive security in respect of such interest.

So long as DTC or its nominee is the registered owner of a global book-entry Note, DTC or that nominee will be considered the sole owner or holder of the Notes represented by that global book-entry Note for all purposes under the Indenture and under the Notes. Except as provided below, owners of beneficial interests in a global book-entry Note will not be entitled to have Notes represented by that global book-entry Note registered in their names, will not receive or be entitled to receive physical delivery of a certificated Note and will not be considered the owners or holders thereof under the Indenture or under the Notes for any purpose, including with respect to the giving of any direction, instruction or approval to the Indenture Trustee. Accordingly, each beneficial holder owning a beneficial interest in a global book-entry Note must rely on the procedures of DTC and, if that beneficial holder is not a direct or indirect participant, on the procedures of the participant through which that beneficial holder owns its interest, to exercise any rights of a holder of Notes under the Indenture or the global book-entry Notes.

Neither Capital Impact nor the Indenture Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to the Notes.

Payments on the Notes represented by the global book-entry Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Capital Impact expects that DTC or its nominee, upon receipt of any payment on the Notes represented by a global book-entry Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the global book-entry Note as shown in the records of DTC or its nominee. Capital Impact also expects that payments by participants to owners of beneficial interests in the global book-entry Note held through such participants will be governed by standing instructions and customary practice as is now the case with Notes held for the accounts of customers registered in the names of nominees for such customers. The participants will be responsible for those payments.

Payments on the Notes represented by the global book-entry Note will be made in immediately available funds. Transfers between participants in DTC will be effected in accordance with DTC rules and will be settled in immediately available funds.

CERTAIN KEY INDENTURE PROVISIONS

Indenture Covenants

The Indenture contains the following covenants:

Existence; Tax-Exempt and Non-Profit Status. Capital Impact will keep in full effect its existence, rights and franchises as a corporation under the laws of the District of Columbia (unless it becomes, or any successor issuer hereunder is or becomes, organized under the laws of any other state, in which case such successor issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture and the Notes. Capital Impact is and at all times until the termination of this Indenture will be organized and operated exclusively for religious, educational, benevolent, charitable, or reformatory purposes exempt from federal income taxes under Section 501(c)(3) of the Code, and not for pecuniary profit, and no part of the net earnings of Capital Impact inures or shall inure to the benefit of any person, private stockholder, or individual. Capital Impact is and shall at all times be excluded from the definition of an investment company under Section 3(c)(10)(B) of the Investment Company Act.

Merger, Consolidation or Sale of Assets. Capital Impact may not consolidate or merge with or into, or transfer all or substantially all of its assets to, any person unless: (i) either Capital Impact shall be the resulting or surviving entity or such person (A) is a corporation organized and existing under the laws of the United States, a State thereof or the District of Columbia, (B) is organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes exempt from federal income taxes under Section 501(c)(3) of the Code, and not for pecuniary profit, (C) has no part of its net earnings which inures or shall inure to the benefit of any person, private stockholder, or individual, and (D) is excluded from the definition of an investment company under Section 3(c)(10)(B) of the Investment Company Act; (ii) if Capital Impact is not the resulting or surviving entity, such person assumes by supplemental indenture satisfactory to the Indenture Trustee all of the obligations of Capital Impact under the Notes and the Indenture; and (iii) immediately before and immediately after the transaction no event of default exists.

Indenture Events of Default

“Events of Default,” wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- a) Failure to pay on any Payment Date the full amount of accrued interest on any Note, which failure continues unremedied for ten (10) or more calendar days after such Payment Date;
- b) Failure to pay the principal of or premium (if any) on, any Note, on its related Maturity Date, which failure continues unremedied for ten (10) or more calendar days after such Maturity Date;
- c) Failure on the part of Capital Impact to observe or perform any covenants or agreements set forth in the Indenture (other than a covenant or agreement of Capital Impact a breach

- of which is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more Series of Notes other than such Series), which failure has a material adverse effect on the Noteholders and which continues unremedied for a period of sixty (60) calendar days after there has been given written notice to Capital Impact by the Indenture Trustee, or to Capital Impact by the holders of at least a majority in outstanding principal amount of the Notes of such Series, a written notice specifying such Default or breach and requiring it to be remedied and stating that such notice is a “Notice of Default” under the Indenture;
- d) Any representation or warranty made by Capital Impact in the Indenture proves to have been incorrect in any material respect and continues to be incorrect in any material respect for sixty (60) days after written notice and as a result of which the interests of the Noteholders are materially and adversely affected;
 - e) The occurrence of an Insolvency Event relating to Capital Impact;
 - f) Capital impact becomes an “investment company” within the meaning of the Investment Company Act;
 - g) This Indenture is required to become qualified under the Trust Indenture Act of 1939, as amended; or
 - h) Capital Impact fails to provide to the Indenture Trustee the Issuer Payment Confirmation in accordance with section 3.01(b)(ii) of the Indenture, which failure continues unremedied for ten (10) or more days.

Information Concerning the Indenture Trustee

If an Event of Default occurs, the holders of specified percentage amounts of the then outstanding Notes will have the right to direct the Indenture Trustee to exercise remedies in accordance with the terms of the Indenture, subject to certain exceptions. The Indenture Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder shall have offered to the Indenture Trustee security and indemnity satisfactory to it against any loss, liability or expense.

HOW TO INVEST / DISTRIBUTION

Investors must consult the relevant pricing supplement, available from participating broker-dealers, in addition to this Prospectus for applicable Note terms.

The public offering price of the Notes will be set forth in the relevant pricing supplement. Please note that proceeds from the sale of the Notes will not be used to pay commissions or any other costs related to the sale of the Notes; all commissions or related costs will be paid from Capital Impact’s operating budget and will therefore not be charged to investors.

Capital Impact has entered into a Selling Agent Agreement with Incapital LLC, as the Lead Agent, and Incapital LLC may resell the Notes to certain broker-dealers (the “selected dealers”). Notes may be purchased through any selected dealer participating in the Incapital LLC selling group. Selected dealers who effect transactions have agreed to sell Notes in accordance with the terms of this prospectus. Through this offering with Incapital LLC, Capital Impact receives net proceeds from sales after sales compensation to Incapital LLC and broker dealers based on the maturity of the Notes sold, from \$997 per \$1,000 of 1-year Notes to \$975 per \$1,000 of 15-year Notes. While Capital Impact receives net proceeds after sales of less than the full par

value, it uses operating funds to cover the discount such that each investor receives the full par value of a Note.

Except for Notes sold to level-fee accounts, Notes offered to the public will be offered at the public offering price set forth in the applicable pricing supplement. Selected dealers purchasing Notes on an agency basis for non-level fee client accounts shall purchase Notes at the public offering price. Notes purchased by the selected dealers for their own account may be purchased at the public offering price less the applicable concession. Notes purchased by the selected dealers on behalf of level-fee fiduciary or retirement accounts may be sold to such accounts at the public offering price less the applicable concession, in which case, such selected dealers will not retain any portion of the sales price as compensation.

As of the date hereof, the Notes will be offered for sale in the United States, excluding the State of Arkansas and the State of Washington, and any territories thereof.

FINANCIAL REPORTING

Within 120 days of the fiscal year end, Capital Impact sends or makes available to all current investors in the Notes the audited financial statements for the most recent fiscal year end. The most recent financial statements are also available on Capital Impact's website <http://www.capitalimpact.org> and upon written request to Capital Impact.

APPENDIX I
AUDITED FINANCIAL STATEMENTS

Capital Impact Partners and Subsidiaries

Consolidated Financial Report
December 31, 2019

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Independent Auditor's Report

To the Board of Directors
Capital Impact Partners and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Capital Impact Partners and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Impact Partners and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) and all subsequent ASUs that modified ASC 842. The Organization has applied the modified retrospective method to adopt the new standard in 2019. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization has applied the modified prospective method to adopt the new standard in 2019. Our opinion is not modified with respect to this matter.

Other Matter

The accompanying consolidating information is presented for purposes of additional analysis rather than to present the financial position and change in net assets of the individual entities and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM VS LLP

Blue Bell, Pennsylvania
March 25, 2020

Capital Impact Partners and Subsidiaries

Consolidated Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents – unrestricted	\$ 40,859,213	\$ 54,798,361
Cash and cash equivalents – restricted	32,180,923	31,696,272
Accounts and interest receivable	2,796,591	2,858,058
Contributions receivable	1,925,000	7,900,000
Investments	38,705,826	7,110,149
Mortgage Backed and U.S. Treasury Securities	69,466,573	53,090,027
Loans receivable	371,351,435	347,634,426
Less: allowance for loan losses	(13,154,705)	(11,833,262)
Loans receivable, net	358,196,730	335,801,164
Loans receivable – subsidiaries	33,833,895	32,481,332
Other assets	2,959,813	2,983,074
Right of use assets	10,794,995	-
Total assets	\$ 591,719,559	\$ 528,718,437
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,043,820	\$ 4,391,302
Refundable advance liability	7,245,759	4,650,000
Deferred rent and tenant allowance	-	2,036,402
Revolving lines of credit	54,000,000	75,000,000
Notes payable	70,655,976	76,752,847
Investor Notes, net	134,570,907	98,237,284
Subordinated debt	2,500,000	10,718,000
Federal Home Loan Bank borrowing	47,271,304	11,000,000
Bond loan payable	58,908,325	48,044,247
Notes payable – subsidiaries	35,906,016	37,986,941
Lease liabilities	13,208,278	-
Total liabilities	427,310,385	368,817,023
Net assets:		
Without donor restrictions	106,859,410	105,180,311
Noncontrolling interest in consolidated subsidiaries	30,104,079	25,004,079
Total without donor restrictions	136,963,489	130,184,390
With donor restrictions	27,445,685	29,717,024
Total net assets	164,409,174	159,901,414
Total liabilities and net assets	\$ 591,719,559	\$ 528,718,437

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Activities Years Ended December 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Financial activity:		
Financial income:		
Interest income on loans	\$ 23,118,073	\$ 21,569,459
Loan fees	989,576	686,432
Investment income, net	4,321,328	920,722
Loss on equity method investments	(181,184)	(92,493)
(Loss) gain on NMTC unwind	(11,844)	94,891
Total financial income	28,235,949	23,179,011
Financial expense:		
Interest expense	10,975,588	9,899,399
Provision for loan losses	1,631,866	850,353
Bad debt expense	-	146,893
Total financial expense	12,607,454	10,896,645
Net financial income	15,628,495	12,282,366
Revenue and support:		
Loan servicing fees	1,419,708	1,653,562
Fees	1,270,797	3,228,661
Contract revenue	-	1,143
Other income	108,310	7,277
Net assets released from donor restrictions	6,958,858	5,304,316
Total revenue and support	9,757,673	10,194,959
Expenses:		
Innovative community lending program	11,238,214	11,177,033
Total program expenses	11,238,214	11,177,033
Support expenses:		
Management and general	10,229,848	9,077,413
Fundraising	899,203	690,416
Total expenses	22,367,265	20,944,862
Change in net assets without donor restrictions before non-operating items and noncontrolling interest activities	3,018,903	1,532,463
Gain on extinguishment of office vacating agreement	-	1,937,432
Change in net assets without donor restrictions before noncontrolling interest activities	3,018,903	3,469,895
Noncontrolling interest – capital contribution	5,100,000	4,900,000
Noncontrolling interest – distribution	(1,339,804)	(982,783)
Increase in net assets without donor restrictions	6,779,099	7,387,112
Changes in net assets with donor restrictions:		
Investment income, net	249,945	152,650
Grant revenue	4,437,574	16,576,231
Net assets released from donor restrictions	(6,958,858)	(5,304,316)
Change in net assets with donor restrictions	(2,271,339)	11,424,565
Change in net assets	4,507,760	18,811,677
Net assets, beginning	159,901,414	141,089,737
Net assets, ending	\$ 164,409,174	\$ 159,901,414

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Functional Expenses Years Ended December 31, 2019 and 2018

	Program Expenses	Support Expenses		
	Innovative Community Lending Program	Management and General	Fundraising	Total
2019				
Interest expense	\$ 10,975,588	\$ -	\$ -	\$ 10,975,588
Provision for loan loss	1,631,866	-	-	1,631,866
Salaries and benefits	6,405,657	6,313,063	348,730	13,067,450
Professional fees	125,983	538,955	80,534	745,472
Contractual services	933,962	1,094,679	163,573	2,192,214
Corporate development	47,430	603,819	90,226	741,475
Lease expense	544,790	462,679	61,348	1,068,817
Insurance	2,130	175,236	26,185	203,551
Travel and entertainment	235,949	150,970	22,559	409,478
Training and tuition	55,052	114,975	17,180	187,207
Grant expense	1,959,118	-	-	1,959,118
Depreciation	103,300	232,863	-	336,163
Other	824,843	542,609	88,868	1,456,320
	\$ 23,845,668	\$ 10,229,848	\$ 899,203	\$ 34,974,719

	Program Expenses		Support Expenses		
	Innovative		Management		
2018	Community		and General	Fundraising	Total
	Lending Program				
Interest expense	\$ 9,899,399		\$ -	\$ -	\$ 9,899,399
Provision for loan loss	850,353		-	-	850,353
Bad debt	146,893		-	-	146,893
Salaries and benefits	6,585,939		5,999,750	316,112	12,901,801
Professional fees	282,644		228,443	30,172	541,259
Contractual services	1,182,169		813,279	107,414	2,102,862
Corporate development	203,210		363,222	47,973	614,405
Lease expense	360,743		461,080	60,897	882,720
Insurance	-		147,284	19,453	166,737
Travel and entertainment	236,773		149,780	19,782	406,335
Training and tuition	40,616		127,243	16,806	184,665
Grant expense	1,174,373		-	-	1,174,373
Depreciation	116,099		243,648	-	359,747
Other	994,467		543,684	71,807	1,609,958
	\$ 22,073,678		\$ 9,077,413	\$ 690,416	\$ 31,841,507

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 4,507,760	\$ 18,811,677
Noncontrolling interest activities	3,760,196	3,917,217
Change in net assets before noncontrolling interest activities	747,564	14,894,460
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	1,631,866	850,353
Bad debt expense	-	146,893
Depreciation	336,163	359,747
Gain on extinguishment of office vacating agreement	-	(1,937,432)
Amortization of notes issuance costs	163,561	106,000
Amortization of deferred rent and tenant allowance	-	388,682
Amortization of right of use assets	901,078	-
Change in discount on lease liabilities	109,439	-
Investment (gain) / loss	(1,827,631)	836,274
Loss on equity method investments	181,184	92,493
Loss (gain) on NMTC unwind	11,844	(94,891)
Distribution on earnings from equity method investments	2,053	113,611
Loss on disposal of assets	-	54,334
Accretion of interest on loans	53,129	88,445
Decrease (increase) in:		
Accounts and interest receivable	61,467	(172,045)
Contributions receivable	5,975,000	(7,375,000)
Other assets	(144,690)	91,761
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,423,781)	413,094
Refundable advance liability	2,595,759	(150,000)
Office vacation obligation	-	(730,693)
Lease liabilities	(633,637)	-
Net cash provided by operating activities	8,740,368	7,976,086
Cash flows from investing activities:		
Loan originations and advances	(75,932,601)	(70,823,860)
Loan purchases	(7,288,956)	(6,417,074)
Loan repayments	55,811,878	40,598,247
Loan sales	3,382,247	250,000
Loan originations and advances – subsidiaries	(3,817,123)	(466,113)
Loan repayments – subsidiaries	2,464,563	27,992,025
Proceeds from sale and distributions of investments	340,018	1,984
Purchase of investments	(32,174,147)	(1,172,858)
Proceeds from sale of Mortgage Backed and U.S. Treasury Securities	12,878,577	10,444,509
Purchase of Mortgage Backed and U.S. Treasury Securities	(27,384,118)	(16,369,178)
Purchase of furnishings and equipment	(168,212)	(428,135)
Net cash used in investing activities	(71,887,874)	(16,390,453)
Cash flows from financing activities:		
Proceeds from notes payable	-	5,000,000
Proceeds from bond loan payable	12,787,000	8,535,000
Repayment of notes payable	(6,150,000)	(4,547,986)
Repayment of bond loan payable	(1,922,923)	(1,420,832)
Repayment of subordinate notes payable	(8,218,000)	-
Proceeds from Federal Home Loan Bank borrowing	36,271,304	-
Proceeds from issuance of Investor Notes, net	46,789,485	57,827,475
Repayment of Investor Notes	(10,368,000)	(130,000)
Payment of issuance cost of Investor Notes	(251,423)	(300,404)
Capital contribution received – noncontrolling interest	5,100,000	4,900,000
Capital distributions paid – noncontrolling interest	(1,263,509)	(788,635)
Proceeds from notes payable – subsidiaries	-	466,114
Repayment of notes payable – subsidiaries	(2,080,925)	(22,636,829)
Proceeds from lines of credit	19,000,000	10,000,000
Repayment of lines of credit	(40,000,000)	(20,000,000)
Net cash provided by financing activities	49,693,009	36,903,903
Net (decrease) increase in cash and cash equivalents	(13,454,497)	28,489,536
Cash and cash equivalents – beginning	86,494,633	58,005,097
Cash and cash equivalents – ending	\$ 73,040,136	\$ 86,494,633

(Continued)

Capital Impact Partners and Subsidiaries

Consolidated Statements of Cash Flows (Continued) Years Ended December 31, 2019 and 2018

	2019	2018
Cash and cash equivalents consist of:		
Cash and cash equivalents – unrestricted	\$ 40,859,213	\$ 54,798,361
Cash and cash equivalents – restricted	32,180,923	31,696,272
	<u>\$ 73,040,136</u>	<u>\$ 86,494,633</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 10,952,069</u>	<u>\$ 9,497,336</u>
Supplemental schedules of noncash investing and financing activities:		
Distributions payable to noncontrolling interest included in accounts payable	\$ 325,174	\$ 246,659
Tenant allowance for leasehold improvements and furniture	\$ -	\$ 61,375
Additions to right of use assets as of January 1, 2019	<u>\$ 8,578,460</u>	<u>\$ -</u>
Additions to lease liabilities as of January 1, 2019	<u>\$ 10,614,862</u>	<u>\$ -</u>
Additions to right of use assets and liabilities obtained from operating leases	<u>\$ 3,117,614</u>	<u>\$ -</u>

See notes to consolidated financial statements.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies

Description of activities: Capital Impact Partners is a nonprofit organization without capital stock organized under the laws of the District of Columbia at the direction of the U.S. Congress in 12 U.S. Code 3051(b). The purpose of Capital Impact Partners is to provide industry altering financial services and technical assistance programs designed to spark systemic change for lasting economic progress. Capital Impact Partners empowers communities to create more affordable cooperative homeownership, access to healthy foods, housing and services for the elderly, and facilities for health care centers and charter schools. The Community Development Financial Institutions Fund of the U.S. Treasury Department has designated Capital Impact Partners as a certified Community Development Financial Institution (CDFI).

The following table provides information on Capital Impact Partners' various subsidiaries:

Subsidiary Name	Ownership %	Purpose of Subsidiary	Included in Consolidated Financials
Community Solutions Group, LLC	100%	Formed to foster development and provide technical assistance to cooperative organizations and similar non-profit organizations and provide capital in support of development projects by making strategic grants and business planning advances.	Yes
NCBCI Education Conduit, LLC	100%	Formed to facilitate, encourage and assist in financing charter schools. This entity holds Capital Impact Partner's interest in the Charter School Financing Partnership (CSFP), LLC.	Yes
Impact NMTC Holdings II LLC	100%	Formed to act as a non-managing member for NMTC Community Development Entities (CDEs) with Capital Impact Partners acting as managing member.	Yes
Woodward Corridor Investment Fund, LLC (WWCF, LLC)	100%	Formed during 2013 to support community development projects benefiting low and moderate income populations, in particular by providing financing to developers of multi-family rental housing and mixed use facilities in Detroit, Michigan, establishing one or more credit facilities to finance such community development projects. This fund had no activity and dissolved in 2019.	Yes
Detroit Neighborhoods Fund, LLC (DNF, LLC)	100%	The purpose of this fund is to provide financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan.	Yes
FPIF, LLC	100%	The purpose of this fund is to channel funds to a predominately low income population aged 50+.	Yes
Community Investment Impact Fund, LLC	20%	The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity.	Yes
Community Investment Impact Fund II, LLC	20%	The purpose of this fund is to engage solely in the business of, directly or indirectly, owning, holding for investment, exchanging, selling and disposing of investments in loans and other related activities. Capital Impact Partners is the managing member of this entity.	Yes

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Capital Impact Partners, was established under the National Consumer Cooperative Bank Act, provides comprehensive financial services to cooperatives and other member-owned organizations throughout the United States. The Board of Directors for Capital Impact Partners consists of eleven members, five of whom are elected from among the then-current senior executive officers or directors (or directors-elect) of the National Cooperative Bank or any of its subsidiaries, including, without limitation, National Cooperative Bank, N.A. (the “NCB”), and six of whom are not related to NCB.

As an inherent part of its charter and mission, Capital Impact Partners makes loans to established cooperative and cooperative-like businesses and, in some markets, makes special loans in the form of predevelopment loans to newer, less established organizations focused on multifamily housing development. As a development finance entity, Capital Impact Partners originates higher risk acquisition, construction and term loans to housing, community facility, food retail, education and worker cooperatives and cooperative-like entities. Consequently, repayment estimates for these higher risk loans are less predictable than those for mature, established organizations. Loans originated by Capital Impact Partners are both secured and unsecured, and many are to borrowers that may be unable to obtain conventional credit.

Pursuant to the National Consumer Cooperative Bank Act and Section 501(c)(3) of the Internal Revenue Code, Capital Impact Partners is exempt from Federal taxation. In 1998, Capital Impact Partners received exemption from franchise or income tax from the State of California, the State of Virginia and the Government of the District of Columbia.

Capital Impact Partners’ principal sources of revenue and support are interest income and fees earned from its lending activities, grants and contributions.

Significant accounting policies:

Basis of presentation: The consolidated financial statements (collectively, the financial statements) are in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which have been applied on a consistent basis and follow general practices within the not-for-profit industry.

Principles of consolidation: The financial statements include the accounts of Capital Impact Partners and its consolidated subsidiaries which include Community Solutions Group, LLC, NCBCI Education Conduit, LLC, Woodward Corridor Investment Fund, LLC (dissolved in March 2019), Detroit Neighborhoods Fund, LLC, FPIF, LLC, Community Investment Impact Fund, LLC, Community Investment Impact Fund II, LLC, and Impact NMTC Holdings II LLC. All significant intra-organization accounts and transactions have been eliminated in consolidation.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unrestricted cash and cash equivalents: Unrestricted cash and cash equivalents consist of cash and investment securities with original maturities at the date of purchase of less than 90 days.

Restricted cash and cash equivalents: Capital Impact Partners has certain restricted cash and cash equivalents that are held per terms of grant and loan agreements.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Investments: Investments in equity securities, money market funds, Mortgage Backed and U.S. Treasury Securities with readily determinable fair values are stated at fair value measured, as more fully described in Note 20. Capital Impact Partners' investment in Real Estate Investment Trust (REIT), and other investments are stated at estimated fair value as more fully described in Note 20. Interest and dividend income are recognized when earned. Any unrealized or realized gains or losses are reported in the statements of activities as a change in assets without donor restrictions, unless explicit donor intent or law restricts their use, in which case unrealized or realized gains or losses are reported in the statements of activities as a change in assets with donor restrictions. Investment return is reported net of investment expenses.

Investments in other entities are accounted for under the equity or the cost method depending on Capital Impact Partners' voting interest and the degree of control or influence Capital Impact Partners may have over the operations of these entities, as noted below:

Investments in New Markets Tax Credit entities: Investments in New Markets Tax Credit (NMTC) entities are accounted for under the equity method of accounting under which Capital Impact Partners' share of net income or loss is recognized in the statements of activities and added or subtracted from the investment account, and distributions received are treated as a reduction of the investment account.

Investment in ROC USA, LLC: Capital Impact Partners has a 23.81% voting interest in ROC USA, LLC and 33% equity investment in ROC USA, LLC and is accounting for its investments in ROC USA, LLC under the equity method of accounting. Accordingly, Capital Impact Partners' share of the change in net assets without donor restrictions of the affiliate is recognized as income or loss in Capital Impact Partners' statements of activities and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints two of the eleven directors of the Board of Directors. The purpose of ROC USA, LLC is to aid people living in manufactured home communities, through technical assistance, loans, training and assistance in the purchase of their communities and the operation of those communities as resident-owned and/or controlled entities.

Investment in Charter School Financing Partnership, LLC: Capital Impact Partners has a 20% voting interest in Charter School Financing Partnership, LLC (CSFP) and is accounting for its investment in CSFP under the equity method of accounting. Accordingly, Capital Impact Partners' share of net income of the affiliate is recognized as income or loss in Capital Impact Partners' statements of activities and added to or subtracted from the investment account. Dividends received from the affiliate are treated as a reduction of the investment account. Capital Impact Partners appoints one of the five managers of the Board of Managers. CSFP was established to encourage, facilitate and assist charter schools with financing and educational related activities.

Investment in FHLB Stock: In January 2015, Capital Impact Partners became a member of the Federal Home Loan Bank of Atlanta (FHLBank Atlanta) and is required to maintain an investment in capital stock in FHLBank Atlanta. The FHLBank Atlanta stock does not have a readily determinable value as ownership is restricted and there is no ready market for this stock. As a result, the stock is carried at cost and management evaluates periodically for impairment based on the ultimate recovery of the cost basis of the stock. No impairment was noted as of December 31, 2019 or 2018.

Investment in Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC and is accounting for its investment under the equity method of accounting. The purpose is to invest in multifamily affordable housing properties located in specified areas in the U.S. Housing properties are to be acquired, held for investment then sold. Members' record their proportionate share of income or loss from the properties and gain/loss upon sale of the property.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Noncontrolling interest in consolidated subsidiaries: The noncontrolling interest represents the equity interest in Community Investment Impact Fund, LLC, and Community Investment Impact Fund II, LLC exclusive of Capital Impact Partners' interest. Community Investment Impact Fund, LLC (CIIF) and Community Investment Impact Fund II, LLC (CIIF II) are for-profit entities, which are jointly owned by Capital Impact Partners (managing member with 20% ownership) and Annaly Social Impact LLC (Annaly) (non-managing member with 80% ownership). Capital Impact Partners consolidates CIIF and CIIF II financial statements as the managing member for both entities and presumed to control them. The non-managing member does not have substantive kick-out rights or substantive participating rights and therefore cannot consolidate. CIIF and CIIF II shall engage solely in the business of, owning, holding for investment, exchanging, selling and disposing of investments in loans and other activities related or incidental to the foregoing business. The Operating agreements outline the "waterfall" of funds for CIIF and CIIF II to distribute to its investors. Distributions include: 1) preferred return of funds to Annaly, and 2) remaining portion of interest payments allocated to Annaly and Capital Impact Partners. Finally, in year five, principal payments to Annaly and Capital Impact Partners will commence.

Loans receivable:

Loans: Loans are stated at their principal amounts outstanding, net of deferred loan fees. Interest income is accrued daily at the loans' respective interest rates. Related direct loan origination fees and costs are deferred and amortized over the life of the loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

Impaired loans: A loan is considered impaired when, based on current information and events, it is probable that Capital Impact Partners will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by Management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a loan-by-loan basis using the fair value of collateral, since Capital Impact Partners' loans are largely collateral dependent.

Impaired loans also include troubled debt restructurings (TDRs), if any, where management has modified loan terms and made concessions to borrowers in financial difficulty. Consequently, the allowance for loan losses related to TDRs is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain collateral-dependent loans.

Non-accrual loans: The accrual of interest on outstanding loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. When the accrual of interest ceases, any unpaid interest previously recorded as income is deducted from income. Any future payments received are applied to reduce principal. At such time as full collection of the remaining recorded balance is expected in the ordinary course of business, interest payments are recorded as interest income on a cash basis. Loans may be reinstated to accrual status when all payments are brought current and, in the opinion of management, collection of the remaining principal and interest can reasonably be expected. If at any time collection of principal or interest is considered doubtful, all or some portion of the loan is charged off for financial reporting purposes, although collection efforts may still continue.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Allowance for loan losses: The allowance for losses is a valuation reserve that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. It is established through a provision for loan losses charged to expense. Loans deemed to be uncollectible are charged against the allowance. Subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level believed adequate by Management to absorb estimated potential losses after considering changes, past loss experience, the nature of the portfolio and current economic conditions. However, the allowance is an estimate that could change if there are significant changes in the portfolio and/or economic conditions.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value for collateral dependent loans or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected losses given Capital Impact Partners' internal risk rating process. Other adjustments are made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not reflected in the historical loss or risk rating data.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from Capital Impact Partners, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Contributions receivable: Capital Impact Partners accounts for contributions received as without donor restriction, or with donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions as to time or purpose depending on the nature of the restriction.

When the donor restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions receivable, which represents unconditional promises to give, are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give, which depend on the existence of both performance barriers and right of return language are recorded as deferred revenue.

Other assets: Other assets include deposits, a program advance, prepaid expenses and furniture, equipment and leasehold improvements (see Note 10).

Right to use assets / lease liabilities: Capital Impact Partners recognizes right to use assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Investor Notes: Capital Impact Partners launched an Investor Notes (Notes) program in 2017. The proceeds of the offering will be used primarily to fund initiatives that meet critical needs in low income communities across the United States, including through Capital Impact Partners' subsidiaries and third party intermediaries. The proceeds of the offering may also be used to purchase securities or other assets that will be leveraged to support Capital Impact Partners' lending activities and general operations, and for general corporate purposes. The Notes are sold through the Depository Trust Company (DTC). The Lead Selling Agent, InCapital, agrees to sell these notes to other agents on Capital Impact Partners behalf. The Notes are issued in increments of \$1,000 or more and pay interest at various fixed interest rates. The terms for the Notes are one-year, three-year, five-year, seven-year and ten-year maturities.

Capital Impact Partners incurred agent and other fees to launch the Notes program. The fees included legal, accounting, and underwriting fees which were capitalized in accordance with U.S. GAAP and amortized using the effective-yield method over the term of the Notes and are presented net of the Investor Notes on the statements of financial position.

US Bank has been designated as the indenture trustee to the indenture agreement and in this capacity US Bank serves as paying agent for the notes. The Notes constitute unsecured debt obligations of Capital Impact Partners.

Net assets: Capital Impact Partners classifies net asset into two categories: Without Donor Restrictions and With Donor Restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Donor restricted net assets can be released from restriction when the time restrictions expire or the contributions are used for their intended purpose at which time they are reported in the statements of activities as net assets released from restrictions. Donor restricted funds also include donor contributions to be held in perpetuity of which there were none at December 31, 2019 and 2018.

Revenue recognition: Capital Impact Partners generally measures revenue based on the amount of consideration Capital Impact Partners expects to receive for the transfer of goods or services to a customer, then recognizes this revenue when or as Capital Impact Partners satisfies its performance obligations under the contract, except in transactions where U.S. GAAP provides other applicable guidance. Material revenue streams are reported separately on the statements of activities.

Revenue recognized at a point in time includes NMTC Suballocation Fees and NMTC Success Fees:

NMTC suballocation fees are paid to Capital Impact Partners from the community development entity (CDE) for Capital Impact Partners' allocation of its NMTC award to the CDE. The fees are 2% of the qualified equity investment (QEI) made from the investor member to the CDE. The performance obligation by Capital Impact Partners is to assist in the transfer of its NMTC allocation to a CDE; therefore, the performance obligation is satisfied and revenue recognized when the deal closes.

The NMTC success fees are earned for managing the investments of the CDE. The fees are comprised of the Loan Loss Reserve account balance plus interest earnings over the seven years. The fees are typically 2% of the QEI and are payable at the completion of the seven-year compliance period, after the unwind is complete. The fee has variable considerations as the amount is based on the level of performance by Capital Impact Partners up until the end of the compliance period when the hurdle is met and there are no recapture events. Revenue is therefore recognized at a point in time when the deal successfully unwinds. Payment is due upon completion of the unwind.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Revenue recognized over a period of time includes Asset Management Fees, Fund Management Fees and Credit Enhancement Fees:

Asset management fees are earned by Capital Impact Partners for management services for NMTC programs and includes assisting with NMTC program requirements. These performance obligations are estimated to be satisfied evenly over the life of each loan. The fee is either based on basis points of the outstanding balance of a loan or a flat fee. The fee is accrued monthly and paid quarterly. Asset management fees earned from subsidiaries are eliminated upon consolidation.

Fund management fees are earned by Capital Impact Partners for management of investment funds that it manages for the NMTC program. The performance obligations are estimated to be satisfied evenly over the year and as such are recognized over time in one calendar year. The fund management fees are a flat annual amount that ranges from \$10,000 to \$25,000. They are accrued monthly and paid either monthly or quarterly. Fund management fees earned from subsidiaries are eliminated upon consolidation.

Credit enhancement fees are collected from two investment funds (Chase NMTC EXED and Chase NMTC Fenton) for Capital Impact Partners' arrangement of the credit enhancement facility with the California Charter School Association. The performance obligation is to provide credit enhancement which estimated to occur evenly over the term of the arrangement. The fee is 0.10% of the outstanding credit enhancement facility with the California Charter School Association.

Loan servicing fees: Capital Impact Partners recognizes loan servicing fees on the loans that it services for third parties. Such fees are earned over the life of the loan.

Functional expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include the departments of President's Office, Equity and Inclusion, Information Technology, Human Resources, Finance and Legal. These departments also benefit various programs. Any direct program related invoices such as Professional Fees and Contractual Services, specific to the teams noted above, are reported as program expenses. Certain other expenses such as Salaries and Benefits, Travel and Entertainment and Depreciation are allocated as a percentage of time worked on program specific duties.

Deferred rent and tenant allowance: Rent expense is recorded on a straight-line basis over the entire lease term. The deferred rent liability recorded in the accompanying 2018 statement of financial position represents the cumulative difference between the monthly rent expense and the rent paid. Capital Impact Partners office lease provides for certain incentives in the form of a tenant allowance for leasehold improvements. This benefit is being amortized on a straight-line basis over the life of the lease. Upon adoption on ASC 842 (Leases) as of January 1, 2019, deferred rent and tenant allowance was netted against the Right of Use Asset. The Right of Use Asset is amortized on a straight-line basis over the term of the respective lease.

Income taxes: Capital Impact Partners is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, Capital Impact Partners qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal corporate income taxes. Capital Impact Partners provides supplemental funds to employees for parking and transit, no longer considered as unrelated business income for non-profit entities. On December 20, 2019, §512(a)(7) of the Internal Revenue Code was repealed, thereby excluding parking and transportation benefits as pretax benefits without unrelated business taxable income implications. The code section 512(a)(7) was struck in such a way as to be retroactive. Capital Impact Partners will request a refund of paid 2019 and 2018 unrelated business income tax totaling approximately \$32,000.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Management evaluated Capital Impact Partners' tax positions and concluded that Capital Impact Partners had taken no uncertain tax positions that require adjustment to the financial statements. Consequently, no accrual for federal or state tax liability for interest and penalties was deemed necessary for the years ended December 31, 2019 and 2018. Capital Impact Partners files tax returns in the U.S. federal jurisdiction, California and Delaware. Generally, Capital Impact Partners is no longer subject to income tax examination by the U.S. federal or state tax authorities for years before 2016.

Community Investment Impact Fund, LLC, (CIIF) and Community Investment Impact Fund II, LLC, (CIIF II) are consolidated subsidiaries of Capital Impact Partners and are Delaware Limited Liability Companies. The entities file annual tax returns to report the income, deductions, gains, losses, etc., from its operations, but does not pay income tax. Instead, any profits or losses pass through to its members, Capital Impact Partners and Annaly. Each member includes its share of the entity's income/loss on its tax return.

Reclassifications: Certain reclassifications were made in the 2018 financial statements to conform to the current year presentation with no effect on the changes in net assets or net assets.

Recent accounting pronouncements adopted: As of January 1, 2019, Capital Impact Partners adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and all subsequent ASUs that modified ASU 842. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach was applied to leases existing at, or entered into after, the beginning of the date of adoption, January 1, 2019, with certain practical expedients available. The impact of the new standard at December 31, 2019, is right of use assets - operating in the amount of \$10,794,995, which is impacted by any unamortized deferred rent and tenant allowances, and lease liabilities - operating of \$13,208,278. Additional disclosures related to leases are included in Note 11.

As of January 1, 2019, Capital Impact Partners adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Capital Impact Partners applied the requirements on a modified prospective basis to agreements that were not completed prior to January 1, 2019 or entered in after January 1, 2019. The impact of the new standard on the financial statements is a net decrease of approximately \$4,715,759 in grant revenue for the year ended December 31, 2019.

As of January 1, 2019, Capital Impact Partners adopted ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. Capital Impact Partners applied ASU 2016-15 on a retrospective transition method. The implementation of the guidance had no material impact on the consolidated financial statements.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Activities and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial instruments. The existing incurred loss model will be replaced with a current expected credit loss (CECL) model for both originated and acquired financial instruments carried at amortized cost and off-balance sheet credit exposures, including loans, loan commitments, held-to-maturity debt securities, financial guarantees, net investment in leases, and most receivables. Recognized amortized cost financial assets will be presented at the net amount expected to be collected through an allowance for credit losses. Expected credit losses on off-balance sheet credit exposures will be recognized through a liability. Unlike current guidance, which requires certain favorable changes in expected cash flows to be accreted into interest income, both favorable and unfavorable changes in expected credit losses (and therefore the allowance) will be recognized through credit loss expense as they occur. With the exception of purchased financial assets with a more than insignificant amount of credit deterioration since origination, for which the initial allowance will be added to the purchase price of the assets, the initial allowance on financial assets subject to the scope (whether originated or acquired) will be recognized through credit loss expense. Expanded disclosures will also be required. The ASU is effective for fiscal years beginning after December 15, 2022. Capital Impact Partners is currently evaluating the impact of adopting this new guidance on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for Capital Impact Partners as of January 1, 2020. Capital Impact Partners is currently evaluating the effect that this guidance will have on its financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. This ASU was issued to clarify and improve areas of guidance related to recently issued financial instrument standards on credit losses, hedging, recognition and measurement. The amendments in the guidance contain several effective dates and are effective for Capital Impact Partners as of January 1, 2020 through January 1, 2023. Capital Impact Partners is currently evaluating the effect that this guidance will have on its financial statements.

In May 2019, the FASB issued ASU 2019-05, *Credit Losses (Topic 326): Targeted Transition Relief*. This ASU provides entities that have certain instruments within the scope of Subtopic 326-20, *Financial Instruments – Credit Losses – Measured at Amortized Cost*, with an option to irrevocably elect the fair value option in Subtopic 825-10, *Financial Instruments – Overall*, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. For entities that have not yet adopted the credit losses standard, the ASU is effective when they implement the credit losses standard. Capital Impact Partners is currently evaluating the effect that this guidance will have on its financial statements.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Cash and Cash Equivalents

Cash and cash equivalents, including restricted balances, consist of the following at December 31:

	2019	2018
Cash in bank	\$ 49,604,317	\$ 46,523,320
Overnight investments	18,377,166	14,042,980
Other short-term investments	5,058,653	6,896,625
U.S. Treasury Bills (a)	-	13,031,708
Certificates of Indebtedness (a)	-	6,000,000
	<u>\$ 73,040,136</u>	<u>\$ 86,494,633</u>
Unrestricted	\$ 40,859,213	\$ 54,798,361
Restricted	32,180,923	31,696,272
	<u>\$ 73,040,136</u>	<u>\$ 86,494,633</u>

- (a) Capital Impact Partners invests idle cash in short term securities, including U.S. Treasury Bills. At December 31, 2019, Capital Impact Partners held \$0 in short-term U.S. Treasury Bills. At December 31, 2018, Capital Impact Partners held \$19,031,708 in short-term U.S. Treasury Bills, consisting of \$10,031,708 held through its Safekeeping Account at the Federal Home Loan Bank of Atlanta and \$9,000,000 held directly through Treasury Direct. Of the \$9,000,000 held at Treasury Direct, \$6,000,000 was held as Zero-Percent Certificate of Indebtedness (C of I). C of I's are intended to be used as a source of funds for purchasing Treasury Securities.

Restricted cash and cash equivalents are held, per respective agreements, for the following purposes: a) lending for the affordable housing in low income community, b) to cover loan losses under a charter school loan program from the United States Department of Education (USED) and c) other programs.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Liquidity

Capital Impact Partners regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2019 and 2018, the following financial assets are available to meet annual operating needs of the 2020 and 2019 fiscal year, respectively:

	2019	2018
Total assets at year-end:		
Cash and cash equivalents – unrestricted	\$ 40,859,213	\$ 54,798,361
Cash and cash equivalents – restricted	32,180,923	31,696,272
Accounts and interest receivable	2,796,591	2,858,058
Contributions receivable	1,925,000	7,900,000
Loans receivable, net	358,196,730	335,801,164
Loans receivable – subsidiaries	33,833,895	32,481,332
Other assets	2,959,813	2,983,074
Investments	38,705,826	7,110,149
Mortgage Backed and U.S. Treasury Securities	69,466,573	53,090,027
Right to use assets	10,794,995	-
Total assets	591,719,559	528,718,437
Less amounts not available to be used within one year:		
Cash and cash equivalents – unrestricted – subsidiaries	(9,759,570)	(8,017,140)
Cash and cash equivalents – restricted	(32,180,923)	(31,696,272)
Contributions receivable	(1,925,000)	(7,900,000)
Loans receivable, due after one year, net	(321,601,732)	(279,316,061)
Loans receivable – subsidiaries	(33,833,895)	(32,481,332)
Other assets	(2,959,813)	(2,983,074)
Investments	(38,705,826)	(7,110,149)
Investments in pledged Mortgage Backed and U.S. Treasury Securities	(51,548,069)	(18,448,716)
Unfunded loan commitments	(48,671,002)	(24,815,955)
Right to use assets	(10,794,995)	-
Assets not available to be used within one year	(551,980,825)	(412,768,699)
Financial assets available to meet general expenditures within one year	\$ 39,738,734	\$ 115,949,738

Note 4. Concentration of Credit Risk

Capital Impact Partners maintains cash in various financial institutions. Cash balances at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

At December 31, 2019 and 2018, Capital Impact Partners had uninsured balances of \$48,518,545 and \$43,442,994, respectively, that are included in cash and cash equivalents. Uninsured amounts of \$20,801,789 and \$20,739,605 are held in short-term investments, in sweep accounts and non-bank money market accounts at December 31, 2019 and 2018, respectively.

As indicated in Note 8, a substantial portion of the loan portfolio is represented by loans to charter schools. The viability of the borrowers and their ability to honor their contracts is dependent upon their ability to retain their charters. Approximately 28% and 43% of the portfolio represents loans made to entities associated with the NMTC program at December 31, 2019 and 2018, respectively. Approximately 34% and 35% of the portfolio represents loans made in the state of California and approximately 20% and 19% in the state of Michigan at December 31, 2019 and 2018, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments

Investments consist of the following as of December 31:

	2019	2018
Marketable equity securities	\$ 310,282	\$ 236,512
Real estate investment trust	1,404,880	1,568,721
Other investments	281,803	531,244
Total investments at fair value (Note 20)	1,996,965	2,336,477
Equity method investments:		
ROC USA, LLC	2,991,535	2,605,150
Charter School Financing Partnership, LLC	251,146	230,736
Workforce Affordable Housing Fund I, LLC	29,982,824	-
Other equity method investment	475,997	500,000
Equity method investments in New Markets Tax Credit entities (Note 17)	20,859	31,986
Total equity method investments	33,722,361	3,367,872
Investments at cost	2,486,500	905,800
Debt investment	500,000	500,000
	<u>\$ 38,705,826</u>	<u>\$ 7,110,149</u>

Other investments: Other investments include Urban Partnership Bank stock that was donated to Capital Impact Partners in 2012. Capital Impact Partners received 14,700 shares of non-voting stock and 300 shares of voting stock with a total value of \$720,000 upon donation. This investment was recorded at \$245,100 as of December 31, 2018. Urban Partnership Bank merged with Providence Bank & Trust in 2019. The stock was sold on February 9, 2019 for \$299,645 and a \$54,545 realized gain was recognized and reflected in investment income, net on the statement of activities in 2019.

Equity method investments:

ROC USA, LLC: In February 2019, Capital Impact Partners contributed an additional \$750,000 into ROC USA, LLC and amended the existing operating agreement (for \$500,000) to incorporate this new equity investment. The revised operating agreement allows for the investor members to receive distributions equal to 5% of their capital contribution. Capital Impact Partners received a distribution of \$39,583 through December 31, 2019. The allocation of the change in net assets without donor restriction and voting rights remained consistent with the original agreement at 33.33% and 23.81%, respectively. As provided for in the operating agreement of ROC USA, LLC, there are certain limitations affecting member capital withdrawals. For the years ending December 31, 2019 and 2018, Capital Impact Partners recognized losses of \$324,032 and \$127,290, respectively. At December 31, 2019 and 2018, Capital Impact Partners had total investments in ROC USA, LLC of \$2,991,535 and \$2,605,150, respectively.

The following is a summary of financial information for the years ended December 31, 2019 and 2018, for ROC USA, LLC:

	2019	2018
Total assets	\$ 96,951,671	\$ 87,459,246
Total liabilities	83,507,614	75,312,462
Net assets/members' capital	13,444,057	12,146,784
Total revenue	2,384,522	2,314,074
Total expenses	3,375,251	2,717,310
Change in net assets without donor restrictions	(990,729)	(403,236)

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

Workforce Affordable Housing Fund I, LLC: In December 2019, Capital Impact Partners invested in the Workforce Affordable Housing Fund I, LLC. The purpose of this transaction is to invest in multifamily affordable housing properties located in specific areas throughout the United States. During the year ended December 31, 2019, Capital Impact Partners made capital contributions of \$29,837,174. Members' record on-going income or loss from properties and gain/loss upon sale. For the year ended December 31, 2019, Capital Impact Partners allocated income was \$145,650.

	2019
Total assets	\$ 31,123,261
Total liabilities	3,970,232
Net assets/members' capital	27,153,029
Total revenue	230,935
Total expenses	79,215
Change in net assets without donor restrictions	151,720

Charter School Financing Partnership, LLC (CSFP): As of December 31, 2019 and 2018, Capital Impact Partners had an investment of \$251,146 and \$230,736, respectively. The net income of CSFP is allocated 18% to Capital Impact Partners and amounted to \$21,200 and \$34,797, respectively, for the years ended December 31, 2019 and 2018. Capital Impact Partners received a distribution of \$790 and \$1,984 as of December 31, 2019 and 2018, respectively.

Other equity method investment: In 2018, Capital Impact Partners entered into an agreement to invest \$500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2019 and 2018 was \$475,997 and \$500,000, respectively.

Debt investment: In 2018, Capital Impact Partners entered into a debt investment with a CDFI in the cooperative sector. The balance recorded as of December 31, 2019 and 2018 was \$500,000.

Investments at cost: Capital Impact Partners is a member of FHLBank Atlanta, whose mission is to support member's residential-mortgage and economic-development lending activities. FHLBank Atlanta is a cooperative bank that offers, among other services, competitively priced financing. As a requirement of membership, Capital Impact Partners was required to purchase Class A Membership Stock of \$250,000, which carries voting rights and is also an earning asset with dividends. Capital Impact Partners will be required to purchase additional stock in the amount of 4.5% of each advance and pledge cash or securities as collateral for advances. At December 31, 2019 and 2018, the amount of stock held was \$2,486,500 and \$905,800, respectively. As of December 31, 2019 and 2018, Capital Impact Partners has drawn advances totaling \$47,271,304 and \$11,000,000, respectively, from FHLBank Atlanta.

Note 6. Mortgage Backed and U.S. Treasury Securities

Capital Impact Partners purchases Mortgage Backed and U.S. Treasury Securities in order to serve as collateral/pledge base for FHLBank Atlanta borrowings and earn a return on idle cash. At December 31, 2019 and 2018, total FHLBank Atlanta borrowings are \$47,271,304 and \$11,000,000, respectively. The balance of pledged Mortgage Backed and U.S. Treasury Securities are \$51,548,069 and \$18,448,716 as of December 31, 2019 and 2018, respectively. The remaining unpledged balance, net of discount, which is available to secure future advances are \$17,918,504 and \$34,641,311 as of December 31, 2019 and 2018, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Mortgage Backed and U.S. Treasury Securities (Continued)

The Mortgage Backed and U.S. Treasury Securities by category as of December 31, 2019 and 2018 are as follows:

	2019	2018
Mortgage Backed Securities:		
Federal Home Loan Mortgage Company (FHLMC)	\$ 13,932,302	\$ 11,339,015
Federal National Mortgage Association (FNMA)	1,804,908	30,843,647
Government National Mortgage Association (GNMA)	8,856,898	9,956,035
Uniform Mortgage Backed Securities (UMBS)	43,916,765	-
U.S. Treasury Securities:		
U.S. Treasury Notes	955,700	951,330
	<u>\$ 69,466,573</u>	<u>\$ 53,090,027</u>

Note 7. Contributions Receivable

As of December 31, 2019 and 2018, contributions receivable are due to be collected as follows:

	2019	2018
Receivable in one year or less	\$ 1,925,000	\$ 6,025,000
Receivable within one to five years	-	1,875,000
	<u>\$ 1,925,000</u>	<u>\$ 7,900,000</u>

As of December 31, 2019, total contributions receivable includes an amount due from one grantor totaling \$1,800,000.

As of December 31, 2019, total conditional contributions receivable not recorded is \$1,241,667. The conditional unrecorded receivables include a right of release dependent on available funding or satisfactory progress. Conditional grants are disclosed in accordance with the 2019 adoption of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. (See Note 1).

Note 8. Loans Receivable

Capital Impact Partners is a development finance organization and in that capacity originates higher risk development loans in the following primary market sectors: affordable housing, education, health care and community development. The loans originated by Capital Impact Partners are secured and unsecured and many times go to borrowers who may otherwise be unable to obtain conventional credit.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Loans Receivable (Continued)

Capital Impact Partners' loan portfolio is diversified in terms of sector. The following is the distribution of loans outstanding at December 31:

	2019	%	2018	%
By Sector:				
Education	\$ 117,154,570	32	\$ 133,910,991	39
Health care	76,269,674	21	71,127,516	20
Affordable housing	124,522,705	33	94,914,117	27
Community development	53,404,486	14	47,681,802	14
Total – Capital Impact Partners	371,351,435	100	347,634,426	100
Detroit Neighborhoods Fund, LLC	14,379,434		10,945,946	
FPIF, LLC	19,454,461		21,535,386	
	<u>\$ 405,185,330</u>		<u>\$ 380,115,758</u>	

Real estate loans are used to finance the development of affordable housing projects and to provide term financing to the operation of affordable housing projects once they have been completed. Loans that are made to finance development are usually short-term and are repaid from either a construction or permanent loan. Term loans take the form of mortgages and are repaid from the operations of the real estate cooperative. Interest rates range from 3.58% to 8.84% and maturities from February 1, 2020 to July 1, 2053.

The commercial lending portfolio is diverse. Loans range from lines of credit to term loans. Loans are typically secured by general business assets (e.g., real estate, inventory, receivables, fixed assets, and leasehold interests). Loan underwriting decisions are made on the basis of the analysis of markets, management, and cash flow potential; and not primarily on the basis of collateral coverage. These loans are expected to be repaid from cash flows generated by the borrower's operating activities. Interest rates range from 3.00% to 8.85% and maturities from January 1, 2020 to February 1, 2055.

Subsidiaries:

Detroit Neighborhoods Fund, LLC (DNF, LLC): DNF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of this LLC. DNF, LLC was formed specifically for the purpose of providing financing for mixed-use and multi-family rental housing and healthy foods retail in underserved areas in Detroit, Michigan. Capital Impact Partners' role is managing the DNF, LLC and identifying, originating, closing and servicing the loans. For this role, Capital Impact Partners receives an annual loan servicing fee of 200 basis points of the average daily outstanding principal balance of each end borrower loan. The lenders have committed to lend an aggregate of \$30 million to the fund. The lenders in the fund are Capital Impact Partners, with a \$10 million commitment and J.P. Morgan Chase Community Development Corporation, with a \$20 million commitment. All loans from each investor are evidenced by individual promissory notes from each lender to DNF, LLC. The loans are with sole recourse to the DNF, LLC and include no obligation for repayment on the part of Capital Impact Partners. Interest rates range from 5.0% to 5.25% and maturities from January 1, 2026 to June 27, 2029.

Woodward Corridor Fund, LLC (WWCF, LLC): Capital Impact Partners is the sole member and manager of this LLC. The lenders committed to lend an aggregate of \$30,000,000 to the fund; the commitment expired on June 30, 2018. This entity dissolved on March 5, 2019.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Loans Receivable (Continued)

FPIF, LLC: FPIF, LLC was formed during 2014 under the laws of the state of Delaware. Capital Impact Partners is the sole member and manager of this LLC. FPIF, LLC is organized as a special purpose entity to channel funds to a predominately low income population aged 50+. The lenders have committed to lend an aggregate of \$72,666,667 to FPIF, LLC. FPIF, LLC is capitalized with \$ 7,266,667 or 10% subordinated debt from Capital Impact Partners, funded partly by a program related investment from AARP Foundation. The commitment expired on December 31, 2018. This Program Related Investment is included in the notes payable section of the accompanying statements of financial position. The senior debt constitutes \$65,400,000 or 90% of the borrowings from a special purpose entity between Calvert Foundation and AARP Foundation. Interest rates range from 5.0% to 6.25% and maturities from May 29, 2022 to December 20, 2024.

Refer to Note 13, Notes Payable – Subsidiaries, for further details on subsidiary loans receivables.

Note 9. Credit Quality

Loan origination and risk management: Capital Impact Partners has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentration of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

Capital Impact Partners' lending is focused on owner-occupied commercial real estate in its primary sectors, which include:

- Education
- Health care
- Affordable housing
- Community development

Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. Capital Impact Partners mitigates this risk by focusing on owner-occupied commercial real estate transactions in its sectors of education and health care. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria.

Once it is determined that the borrower's management possesses sound ethics and solid business acumen, Capital Impact Partners' management examines current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. Loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee to attempt to reduce the risk of loss. Some short-term loans may be made on an unsecured basis.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

Age analysis of past due loans: The following tables represent an aging of loans by sector as of December 31, 2019 and 2018. The tables present the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

December 31, 2019	30 - 59 Days Past Due	60 - 89 Days Past Due	90 days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	\$ -	\$ -	\$ -	\$ 377,950	\$ 377,950	\$ 116,776,620	\$ 117,154,570
Health care	-	-	-	-	-	76,269,674	76,269,674
Affordable housing	-	-	-	560,070	560,070	123,962,635	124,522,705
Community development and other	685,595	-	-	-	685,595	52,718,891	53,404,486
	<u>\$ 685,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 938,020</u>	<u>\$ 1,623,615</u>	<u>\$ 369,727,820</u>	<u>\$ 371,351,435</u>

December 31, 2018	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Education	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133,910,991	\$ 133,910,991
Healthcare	-	-	-	-	-	71,127,516	71,127,516
Affordable housing	146,441	62,855	-	1,050,119	1,259,415	93,654,702	94,914,117
Community development and other	600,000	-	-	790,328	1,390,328	46,291,474	47,681,802
	<u>\$ 746,441</u>	<u>\$ 62,855</u>	<u>\$ -</u>	<u>\$ 1,840,447</u>	<u>\$ 2,649,743</u>	<u>\$ 344,984,683</u>	<u>\$ 347,634,426</u>

Credit quality indicators: Capital Impact Partners assigns internal credit classifications at the inception of each loan. These ratings are reviewed by an independent third party on a semi-annual basis as well as periodic internal reviews based on Capital Impact Partners' credit guidelines and when loans are renewed. Quarterly reviews are required if the borrower fails to meet contractual expectations or other performance degradation that would warrant increased monitoring. If a loan is in default for a period of 90 days or more or when the contractual collection of principal or interest is in doubt, the loan would be placed on nonaccrual status and the credit quality would be downgraded to substandard or doubtful. The following definitions summarize the basis for each classification.

Above average: These borrowers have a clear ability to service debt from the primary repayment source, strong working capital position, acceptable leverage ratios, and stable operating trends. These borrowers must have current and regularly received financial information in the file, be in compliance with all financial covenants with no material delays in meeting reporting covenants, and be properly documented. Additionally, they have stable and experienced management, profitable operations for the past three years, sufficient cash flow to service debt, and if there is reliance on fund raising, it is minimal and history has proven it is a reliable source of income.

Pass: These borrowers have a clear ability to service debt from the primary repayment source and a history of strong financial performance. These loans may have a short-term or situational weakness that is expected to resolve within 24 months; examples include major construction or rehabilitation, business expansion to additional sites or services, large loan for borrower or lender and change in a key member of management. These borrowers must have current and regularly received financial information in the file, be in compliance with loan covenants, and be properly documented.

Watch: These borrowers are generally acceptable risks but show some signs of weakness in cash flow or financial strength or have short or unstable earnings history. The borrower may be unable to achieve projected operations and/or may have covenant violations. These loans are performing as agreed and may be characterized by uncertain industry outlook, cyclical or highly competitive, greater sensitivity to market forces and business cycles, full collateral coverage, insufficient current financial information or outdated loan officer review to determine repayment ability, or weak management.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

Special mention: These loans are currently protected but are potentially weak. These loans constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific loan. These loans may be characterized by a downward trend in sales profit levels and margins, cash flow strained in order to meet debt repayment schedule, non-compliance with covenants, high leverage and weak liquidity, weak industry conditions or collateral impairment.

Substandard: These loans are inadequately protected by the current net worth and repayment capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that will jeopardize the liquidation of the debt. They are characterized by the distinct possibility that Capital Impact Partners will sustain some loss if the deficiencies are not corrected.

Doubtful: These loans have all the weaknesses of substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important, and reasonably specific, pending factors which may work to the advantage and strengthening of the loan, its charge-off is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

The following tables summarize the loan portfolio by sector and the internally assigned credit quality ratings for those categories at December 31, 2019 and 2018.

December 31, 2019	Education	Health Care	Affordable Housing	Community Development	Total
Above average	\$ 2,372,717	\$ 1,078,733	\$ 711,564	\$ -	\$ 4,163,014
Pass	33,552,004	20,640,993	11,841,050	12,532,356	78,566,403
Watch	80,851,899	52,124,862	101,553,908	29,877,388	264,408,057
Special mention	-	2,425,086	8,984,118	10,304,106	21,713,310
Substandard	-	-	-	326,862	326,862
Doubtful	377,950	-	1,432,065	363,774	2,173,789
	<u>\$ 117,154,570</u>	<u>\$ 76,269,674</u>	<u>\$ 124,522,705</u>	<u>\$ 53,404,486</u>	<u>\$ 371,351,435</u>

December 31, 2018	Education	Health Care	Affordable Housing	Community Development	Total
Above average	\$ 3,647,926	\$ 1,428,988	\$ -	\$ -	\$ 5,076,914
Pass	45,320,736	24,049,770	14,666,293	8,662,425	92,699,224
Watch	84,942,329	45,648,758	67,987,804	32,837,625	231,416,516
Special mention	-	-	10,741,614	4,558,886	15,300,500
Substandard	-	-	550,119	1,173,654	1,723,773
Doubtful	-	-	968,287	449,212	1,417,499
	<u>\$ 133,910,991</u>	<u>\$ 71,127,516</u>	<u>\$ 94,914,117</u>	<u>\$ 47,681,802</u>	<u>\$ 347,634,426</u>

Allowance for loan losses: The allowance for loan losses as a percentage of loans outstanding as of December 31, 2019 and 2018, was 3.5% and 3.4%, respectively, of Capital Impact Partners' total loan portfolio, which includes a special reserve related to a specific lending program. The allowance excluding this specific lending program was 3.3% and 3.2% as of December 31, 2019 and 2018, respectively.

Capital Impact Partners performs a migration analysis of Capital Impact Partners' loan risk ratings and loan loss ratios in determining the allowance for loan loss calculation.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

The following tables summarize the allowance for loan losses as of and for the year ended December 31, 2019 and 2018, by sector and the amount of loans evaluated individually or collectively for impairment by sector.

December 31, 2019	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	\$ 3,336,333	\$ 1,721,737	\$ 3,580,382	\$ 3,194,810	\$ 11,833,262
Charge-offs	-	-	(40,217)	(313,977)	(354,194)
Recoveries	-	-	-	43,771	43,771
Provisions	(303,220)	385,313	1,267,107	282,666	1,631,866
	<u>\$ 3,033,113</u>	<u>\$ 2,107,050</u>	<u>\$ 4,807,272</u>	<u>\$ 3,207,270</u>	<u>\$ 13,154,705</u>
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	\$ 114,950	\$ -	\$ 500,000	\$ -	\$ 614,950
Collectively evaluated for impairment	2,918,163	2,107,050	4,307,272	3,207,270	12,539,755
	<u>\$ 3,033,113</u>	<u>\$ 2,107,050</u>	<u>\$ 4,807,272</u>	<u>\$ 3,207,270</u>	<u>\$ 13,154,705</u>
Loan ending balances:					
Individually evaluated for impairment	\$ 376,017	\$ -	\$ 560,070	\$ -	\$ 936,087
Collectively evaluated for impairment	116,778,553	76,269,674	123,962,635	53,404,486	370,415,348
	<u>\$ 117,154,570</u>	<u>\$ 76,269,674</u>	<u>\$ 124,522,705</u>	<u>\$ 53,404,486</u>	<u>\$ 371,351,435</u>
December 31, 2018	Education	Health Care	Affordable Housing	Community Development	Total
Allowance for loan losses:					
Beginning balance	\$ 3,527,124	\$ 2,091,633	\$ 3,780,213	\$ 1,602,056	\$ 11,001,026
Charge-offs	-	-	(43,024)	(25,000)	(68,024)
Recoveries	-	49,907	-	-	49,907
Provisions	(190,791)	(419,803)	(156,807)	1,617,754	850,353
	<u>\$ 3,336,333</u>	<u>\$ 1,721,737</u>	<u>\$ 3,580,382</u>	<u>\$ 3,194,810</u>	<u>\$ 11,833,262</u>
Ending balance of allowance for loan losses:					
Individually evaluated for impairment	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000
Collectively evaluated for impairment	3,336,333	1,721,737	3,080,382	3,194,810	11,333,262
	<u>\$ 3,336,333</u>	<u>\$ 1,721,737</u>	<u>\$ 3,580,382</u>	<u>\$ 3,194,810</u>	<u>\$ 11,833,262</u>
Loan ending balances:					
Individually evaluated for impairment	\$ -	\$ -	\$ 830,757	\$ 780,394	\$ 1,611,151
Collectively evaluated for impairment	133,910,991	71,127,516	94,083,360	46,901,408	346,023,275
	<u>\$ 133,910,991</u>	<u>\$ 71,127,516</u>	<u>\$ 94,914,117</u>	<u>\$ 47,681,802</u>	<u>\$ 347,634,426</u>

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

Impaired loans: The following tables summarize the impaired loans as of December 31, 2019 and 2018. The tables segregate the loans by sector for impaired loans with specific allowances for losses and impaired loans without specific allowances.

December 31, 2019	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	\$ -	\$ -	\$ -	\$ -	\$ -
Health care	-	-	-	-	-
Affordable housing	60,070	60,070	-	61,393	3,545
Community development	-	-	-	-	-
Subtotal	60,070	60,070	-	61,393	3,545
With an allowance recorded:					
Education	376,017	377,950	114,950	410,186	24,575
Health care	-	-	-	-	-
Affordable housing	500,000	500,000	500,000	500,000	23,230
Community development	-	-	-	-	-
Subtotal	876,017	877,950	614,950	910,186	47,805
Total:					
Education	376,017	377,950	114,950	410,186	24,575
Health care	-	-	-	-	-
Affordable housing	560,070	560,070	500,000	561,393	26,775
Community development	-	-	-	-	-
Total	\$ 936,087	\$ 938,020	\$ 614,950	\$ 971,579	\$ 51,350

* Interest income recognized on a cash basis during 2019 was \$0.

December 31, 2018	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized*
With no related allowance recorded:					
Education	\$ -	\$ -	\$ -	\$ -	\$ -
Health care	-	-	-	-	-
Affordable housing	371,150	550,119	-	550,119	23,529
Community development	780,394	790,328	-	790,328	33,434
Subtotal	1,151,544	1,340,447	-	1,340,447	56,963
With an allowance recorded:					
Education	-	-	-	-	-
Health care	-	-	-	-	-
Affordable housing	459,607	500,000	500,000	500,000	34,585
Community development	-	-	-	-	-
Subtotal	459,607	500,000	500,000	500,000	34,585
Total:					
Education	-	-	-	-	-
Health care	-	-	-	-	-
Affordable housing	830,757	1,050,119	500,000	1,050,119	58,114
Community development	780,394	790,328	-	790,328	33,434
Total	\$ 1,611,151	\$ 1,840,447	\$ 500,000	\$ 1,840,447	\$ 91,548

*Interest income recognized on a cash basis during 2018 was \$0.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Credit Quality (Continued)

Impaired loans include loans modified in troubled debt restructurings (TDR's) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance or other actions intended to maximize collection.

As of December 31, 2019 and 2018, Capital Impact Partners had no loans that were classified as TDR's included in impaired loans.

There were no loans previously identified as TDR's that re-defaulted in 2019 or 2018.

Subsidiaries with loans:

DNF and FPIF, LLC: These funds are structured so that if there are losses at the fund, they pass through to each of the lenders that funded the loans in the fund, first on a junior/subordinated debt level and then at the senior debt level. Therefore, in the event of a loss that exceeds Capital Impact Partners' junior portion of the loan, the applicable senior lender will absorb the remainder of the loss. Capital Impact Partners is not required to make up any payment shortages from borrowers due to other participating lenders. Additionally, certain funds (i.e. DNF, LLC) are required to maintain certain amounts of cash in the fund (until maturity) that will serve as an additional reserve to the senior lenders' position.

The structured fund documents do not account for the establishment of an allowance in the pricing of the ultimate loans to the borrowers and fees charged. The legal documents address how losses will be absorbed through the "waterfall" language in each fund. Typically, it is the junior lenders that take the first loss if there is no cash reserve or other enhancement that can absorb some portion of non-payment or charge off. The remainder of the loss is absorbed by the senior lender(s). Capital Impact Partners underwrites, services and manages all loans funded from these structured funds and therefore performs initial and ongoing routine evaluations of the performance of each loan's borrower and its ability to repay. Capital Impact Partners will evaluate each of the loans within these funds, individually, to determine allowance for loan loss levels.

Note 10. Other Assets

Included in other assets as of December 31, 2019 and 2018, are the following:

A balance of \$200,000, for a cash deposit with Wells Fargo Bank on behalf of Phoenix Collegiate Academy, Inc., a charter school operator. The cash deposit, per the agreement dated November 29, 2012, provided credit enhancement that enabled Phoenix Collegiate Academy, Inc. to finance the cost of acquiring, constructing, improving and equipping the land and building for a middle and high school campus. Capital Impact Partners used proceeds of a grant from the U.S. Department of Education (DOE) received in a prior year to fund its participation. In return for its investment and providing credit enhancement, Capital Impact Partners earns an annual debt service fee.

A cash pledge deposit balance of \$533,530 and \$523,503, as of December 31, 2019 and 2018, respectively, per a pledge and security agreement dated February 1, 2012 between Capital Impact Partners and Charter School Financing Partnership (CSFP). CSFP used funds borrowed from the Walton Family Foundation to fund a loan to Alliance for College-Ready Public Schools, a charter school operator. The Walton Family Foundation requires CSFP to pledge a percentage of the unpaid principal of the loan to secure repayment of their loan. Capital Impact Partners used proceeds of a grant from the DOE received in a prior year to satisfy the pledge requirement. In consideration of its obligation, Capital Impact Partners earns a monthly fee.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Other Assets (Continued)

On September 1, 2015, Capital Impact Partners entered into an agreement with CoMetrics to provide a program related investment loan in the aggregate principal amount of \$300,000 to finance its business and operations, consistent with its cooperative purposes. The loan was funded in two separate tranches and pays interest at an initial rate of 1% and increases to 5% if CoMetric's earnings reach a certain level. Capital Impact Partners has advanced \$300,000, as of December 31, 2019 and 2018. The loan has earned interest of \$3,257 and \$3,509 for the years ended December 31, 2019 and 2018, respectively.

Furniture, equipment and leasehold improvements at December 31, 2019 and 2018, were comprised as follows:

	2019	2018
Furniture, equipment and software	\$ 966,427	\$ 814,719
Leasehold improvements	1,587,663	1,571,159
	<u>2,554,090</u>	<u>2,385,878</u>
Less accumulated depreciation and amortization	(1,086,582)	(750,419)
	<u>\$ 1,467,508</u>	<u>\$ 1,635,459</u>

Note 11. Leases

Capital Impact Partners has operating leases for four corporate offices. Leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 5 years.

The components of lease expense were as follows:

	2019
Operating lease cost - fixed	\$ 1,016,696
Operating lease cost - variable	<u>52,121</u>
	1,068,817
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	633,637
Non-cash investing and financing activities:	
Additions to right of use assets obtained from operating lease	3,117,614
Operating lease right of use assets as of January 1, 2019	8,578,460
Operating lease liabilities as of January 1, 2019	10,614,862
Weighted average remaining lease term	
Operating leases	12 years
Weighted average discount rate	
Operating leases	2.91%

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 11. Leases (Continued)

Because we generally do not have access to the rate implicit in the lease, we utilize our incremental borrowing rate as the discount rate.

Maturities of lease liabilities were as follows:

Years Ending December 31,	
2020	\$ 940,772
2021	1,204,718
2022	1,212,223
2023	1,237,040
2024	1,217,067
Thereafter	10,015,772
Total lease payments	15,827,592
Less imputed interest	(2,619,314)
	<u>\$ 13,208,278</u>

Capital Impact Partners signed a 15-year lease agreement for its Arlington, Virginia offices on October 19, 2016. The lease commitment period is from December 1, 2017 through November 30, 2032. The lease agreement provides for annual escalations on base rent and there is a 5-year renewal option after the initial 15-year lease term.

The lease agreement provides for a tenant allowance of \$1,547,350 that was fully utilized to defray the buildout costs of the suite and furniture. The lease agreement also provides for rent abatement of a 50% discount on the monthly rent payments within the first 34 months of occupancy. A deferred rent liability is recorded in the accompanying statements of financial position that represents the cumulative difference between the monthly rent expense and the rent paid and includes the tenant allowance as a lease incentive. The deferred rent liability is amortized using the straight-line method over a 15-year term. The amortization is presented in the statement of activities as an offset to rent expense.

In September 2019, Capital Impact Partners entered into a new \$2 million operating lease to secure additional space for the Arlington, Virginia office. The lease is for 13 years and ends November 30, 2032. The lease agreement provides for a tenant allowance of \$232,050 utilized to defray the buildout costs of the suite and furniture. The lease agreement also includes rent abatement on the monthly rent payments within the first nine months of occupancy.

Capital Impact Partners also leases office space in Detroit, Michigan, which includes rent abatement on the monthly rent payments within the first five months of occupancy. Additionally, Capital Impact Partners leases office space in New York, NYC, as of February 2019, which includes rent abatement on monthly rent payments for the first 180 days of occupancy. Finally, there is office space in Oakland, California which has a rent agreement due to expire in 2021.

Lease expense was \$1,068,817 and \$882,720 for the years ended December 31, 2019 and 2018, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes

Notes and bond payable, revolving lines of credit, Investor Notes and subordinated debt as of December 31, 2019, consist of the following:

	Commitment	Available Undrawn	December 31, 2019	December 31, 2018	Interest Rate Range	Maturity Date Range
Revolving lines of credit	\$ 125,000,000	\$ 71,000,000	\$ 54,000,000	\$ 75,000,000	3.44% - 3.84%	June 2020 - May 2024
Unsecured - fixed rate	76,100,000	1,880,000	70,655,976	76,752,847	.88% - 3.78%	June 2020 - August 2030
Investor Notes, net	136,608,000	-	136,608,000	100,072,000	2.05% - 4.10%	April 2020 - July 2029
Subordinated debt	2,500,000	-	2,500,000	10,718,000	2.00%	December 2023
Federal Home Loan Bank borrowing	82,864,150	35,592,846	47,271,304	11,000,000	2.37%	December 2029
Bond payable	95,000,000	30,896,000	58,908,325	48,044,247	2.35% - 2.58%	March 2024 - December 2045
	518,072,150	139,368,846	369,943,605	321,587,094		
Investor Notes issuance cost	-	-	(2,037,093)	(1,834,716)		
	<u>\$ 518,072,150</u>	<u>\$ 139,368,846</u>	<u>\$ 367,906,512</u>	<u>\$ 319,752,378</u>		

Capital Impact Partners has certain debt agreements that contain both operational and financial covenants requiring Capital Impact Partners to maintain minimum cash and cash equivalents balances and certain financial ratios.

Revolving Lines of Credit:

Revolving lines of credit - variable: Capital Impact Partners has three variable rate revolving lines of credit with different financial institutions, one of which is comprised of a group of four lenders. The interest rates are calculated by adding a spread to the London Interbank Offering Rate (LIBOR). The maturity dates on each of these lines of credit range from June 2020 through September 2021. The outstanding balance on these lines of credit total \$44,000,000 and \$65,000,000 at December 31, 2019 and 2018, respectively.

Revolving line of credit - fixed: Capital Impact Partners has a revolving line of credit with a fixed interest rate that matures in May 2024; which allows draws for the period through May 31, 2020. The outstanding balance on this line of credit was \$10,000,000 and \$10,000,000 at December 31, 2019 and 2018, respectively.

Unsecured Fixed Rate: Capital Impact Partners has several unsecured debt agreements with Banks and Foundations with fixed interest rates. Two agreements are established with banks as of December 31, 2019 and 2018 and ten and eleven are established with foundations/CDFIs as of December 31, 2019 and 2018, respectively.

Investor Notes: Capital Impact Partners issued more Investor Notes in 2019, continuous from its 2018 offering, for up to \$150,000,000. The Notes are sold through the Depository Trust Company (DTC). The Lead Selling Agent, InCapital, agrees to sell these notes to other agents on Capital Impact Partners' behalf. The Notes were issued in increments of \$1,000 or more and pay interest at a various fixed interest rates. The terms for the Notes were one-year, three-year, five-year, seven-year and ten-year maturities.

US Bank has been designated as the indenture trustee to the indenture agreement and serves as paying agent for the Notes. The Notes are senior to the subordinated loans. At December 31, 2019 and 2018, the Note holders held \$136,608,000 and \$100,072,000, respectively of the total Notes payable balance. Interest rates range between 2.05% and 4.10%.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

Aggregate annual maturities of Capital Impact Partners' Investor Notes over each of the next five years and thereafter, as of December 31, 2019, are as follows:

Years ending December 31:

2020	\$ 17,111,000
2021	7,377,000
2022	37,455,000
2023	14,020,000
2024	17,653,000
Thereafter	42,992,000
	<u>\$ 136,608,000</u>

Subordinated debt: Capital Impact Partners has a debt agreement with a financial institution which has a fixed interest rate and matures in December 2023. The ending balance as of December 31, 2019 and 2018 is \$2,500,000 and \$2,500,000, respectively. Principal and interest payments are subordinated to all other creditors of Capital Impact Partners.

FHLB borrowing: As a member bank, Capital Impact Partners may request advances from FHLBank Atlanta. As of December 31, 2019, the outstanding balance was \$47,271,304 secured by Mortgage Backed and U.S. Treasury Securities in the amount of \$51,548,069. As of December 31, 2018, the outstanding balance was \$11,000,000 secured by Mortgage Backed and U.S. Treasury Securities in the amount of \$18,448,716 (see Note 6).

CDFI Bond Guarantee Program: The CDFI Bond Guarantee Program was enacted through the Small Business Jobs Act of 2010. The bond provides fixed-rate long-term capital, which can be used to finance eligible community and economic development purposes, such as small businesses, charter schools, health care facilities and affordable housing.

On September 25, 2014, Capital Impact Partners was awarded a \$55,000,000 allocation in the \$200,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners has committed 100% of its allocation and has to draw down on the bond by September 25, 2019 as required by the program. As a condition of the program, Capital Impact Partners must pledge eligible secondary borrower loans as collateral to draw on the loan. The loans bear interest at the applicable Federal Financing bank rate plus .375% liquidity premium at the time of each draw down. Under the program, bonds are purchased by the Federal Financing Bank and carry a 100% guarantee from the Secretary of the Treasury.

On July 15, 2016, Capital Impact Partners was awarded an additional \$40,000,000 allocation in the \$165,000,000 issuance of the CDFI Fund Bond Guarantee Program to Community Reinvestment Fund, USA. Capital Impact Partners, per the Bond Guarantee Program's requirements, had fully committed 100% of its allocation by July 15, 2018, but will have until July 15, 2021, to draw down on the bond.

Capital Impact Partners has drawn on the 2014 bond and advanced bond proceeds to end borrowers as of December 31, 2019 and 2018, the bonds payable balance was \$49,997,167 and \$48,044,247, respectively, secured by pledged loans receivable of \$52,679,231 and \$50,088,695, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Notes and Bond Payable, Revolving Lines of Credit, Subordinated Debt and Investor Notes (Continued)

Capital Impact Partners has drawn on the 2016 bond and advanced bond proceeds to end borrowers as of December 31, 2019, the bonds payable balance was \$8,911,158, secured by pledged loans receivable of \$9,153,248.

Capital Impact Partners paid approximately \$2,200 in facility fees related to this program for each of the years ended December 31, 2019 and 2018.

Aggregate annual maturities of Capital Impact Partners' borrowings over each of the next five years and thereafter, as of December 31, 2019, are as follows:

Years ending December 31:

2020	\$ 46,814,142
2021	46,123,449
2022	58,116,136
2023	32,747,828
2024	50,026,016
Thereafter	136,116,034
	<u>\$ 369,943,605</u>

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable.

For the Kellogg Foundation, Capital Impact Partners recognized interest expense of \$5,766 and \$6,254 for the years ended December 31, 2019 and 2018, respectively.

For the Ford Foundation received in 2014, Capital Impact Partners recognized interest expense of \$47,363 and \$46,574 for the years ended December 31, 2019 and 2018, respectively.

Aggregate interest accretion over the next five years and thereafter for Capital Impact Partners' loans with below-market interest rates as of December 31, 2019, is as follows:

	Kellogg Foundation	Ford Foundation 2	Totals
Years ending December 31:			
2020	\$ 5,188	\$ 48,165	\$ 53,353
2021	3,131	48,980	52,111
2022	649	35,721	36,370
2023	-	19,396	19,396
2024	-	2,794	2,794
	<u>\$ 8,968</u>	<u>\$ 155,056</u>	<u>\$ 164,024</u>

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 13. Notes Payable – Subsidiaries

The notes payable under DNF, LLC and FPIF, LLC are with sole recourse to DNF, LLC and FPIF, LLC and include no obligation for repayment on the part of Capital Impact Partners.

Subsidiary	Lender	Commitment	December 31, 2019	December 31, 2018	Interest Rate	Maturity Date	Payment Details
DNF, LLC	JPMorgan Chase	\$ 20,000,000	\$ 16,451,555	\$ 16,451,555	2.00%	June 2029	Monthly interest
FPIF, LLC	FPIF Feeder Facility LP	-	19,454,461	21,535,386	3.13%	August 2031	and principal
		<u>\$ 20,000,000</u>	<u>\$ 35,906,016</u>	<u>\$ 37,986,941</u>			

Aggregate annual maturities of subsidiary borrowings over each of the next five years and thereafter, as of December 31, 2019, are as follows:

Years ending December 31:

2020	\$ 352,332
2021	373,312
2022	4,881,945
2023	5,407,597
2024	8,439,275
Thereafter	16,451,555
	<u>\$ 35,906,016</u>

Note 14. Net Assets With Donor Restrictions

Donor restricted net assets are those net assets whose use by Capital Impact Partners is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2019 and 2018, donor restricted net assets consisted of the following:

Purpose	2019	2018
Charter School Program	\$ 16,536,930	\$ 16,392,943
Revolving loan fund - Affordable Housing Financing	5,425,509	5,007,814
Affordable Housing Financing	1,869,935	150,000
Healthy Food Financing	225,716	2,000,000
Financial Assistance	-	700,000
DC Entrepreneurs of Color Fund	2,142,286	3,289,100
DC Equitable Developer	-	60,476
Detroit Corridor Initiative	493,736	1,242,502
Detroit Equitable Developer	206,846	-
Aging Initiative	152,934	72,451
Loan Loss Reserve	75,000	225,000
Various	316,793	576,738
	<u>\$ 27,445,685</u>	<u>\$ 29,717,024</u>

Contributions receivable of \$1,145,000 and \$7,900,000, respectively, as of December 31, 2019 and 2018, were both time restricted and purpose restricted and are included in the above amounts.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 15. Fees

Material revenue streams are reported separately on the statements of activities. Revenue is either recognized at a point in time or over a period of time

Revenue recognized at a point in time includes NMTC Suballocation Fees and NMTC Success Fees. Revenue recognized over a period of time includes Fund Management Fees, Asset Management Fees and Credit Enhancement Fees.

<u>Fees – recognized at point in time</u>	2019	2018
NMTC suballocation fees	\$ 500,000	\$ 880,000
NMTC success fees	364,518	1,863,713
	<u>864,518</u>	<u>2,743,713</u>
<u>Fees – recognized over time</u>		
Asset management fees	381,859	301,961
Fund management fees	16,206	122,233
Credit enhancement fees	8,214	60,754
	<u>406,279</u>	<u>484,948</u>
	<u>\$ 1,270,797</u>	<u>\$ 3,228,661</u>

Note 16. Related Party Transactions

NCB and NCB Financial Savings Bank (NCB, FSB): Capital Impact Partners' obligation regarding vacation of premises, with NCB, was signed on July 1, 2016. This agreement outlined that Capital Impact Partners would vacate the current office space on December 1, 2017. Additionally, Capital Impact Partners would continue to make monthly payments to NCB from December 1, 2017 to August 1, 2021, unless events occurred which would reduce these payments. Capital Impact Partners made payments to NCB under the vacation of premises obligation of \$0 and \$730,693 for the years ended December 31, 2019 and 2018, respectively. On October 22, 2018, the agreement was amended whereby NCB reduced its rent on this space. Capital Impact Partners' obligation for monthly payments ceased on December 31, 2018. This resulted in a write-off of the liability and a non-operating gain of \$1,937,432 reported on the statement of activities for the year ended December 31, 2018.

Capital Impact Partners and its subsidiaries maintain cash accounts with NCB, FSB. Balances totaled \$26,701,492 and \$30,099,351 as of December 31, 2019 and 2018, respectively.

In the normal course of business, Capital Impact Partners, NCB and NCB, FSB will sell and purchase loan participations from each other. As of December 31, 2019 and 2018, such participations have included loans to:

Center for Elders Independence: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2014. Capital Impact Partners' balance was \$1,078,733 and \$1,111,083 as of December 31, 2019 and 2018, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Related Party Transactions (Continued)

Numero Uno: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2017. Capital Impact Partners' balance was \$2,400,000 and \$2,700,000 as of December 31, 2019 and 2018, respectively. Capital Impact Partners purchased the outstanding balance of an additional Numero Uno loan from NCB, FSB during 2019. Capital Impact Partners' balance was \$2,000,000 as of December 31, 2019 and 2018, respectively.

Poplar Grove: Capital Impact Partners sold 50% of the outstanding balance of this loan to NCB, FSB during 2017. Capital Impact Partners' balance sold was \$2,483,683 and \$2,500,000 as of December 31, 2019.

Care Resource: Capital Impact Partners purchased the outstanding balance of this loan from NCB, FSB during 2019. Capital Impact Partners' balance was \$3,053,464 as of December 31, 2019.

ROC USA, LLC: ROC USA Capital is a wholly owned subsidiary of ROC USA, LLC (see Note 1). Capital Impact Partners has purchased loan participations from ROC USA Capital in the ordinary course of business. The balance for the purchased loan participation from ROC USA Capital as of December 31, 2019 and 2018, was \$10,085,626 and \$10,241,147, respectively. Capital Impact Partners services these loans; however, per an agreement between Capital Impact Partners and ROC USA, LLC, Capital Impact Partners does not earn a servicing fee.

CSFP: In December 2011, Capital Impact Partners purchased a \$500,000 participation in a \$3,500,000 investment made by the Charter School Financing Partnership, in which Capital Impact Partners is a 20% partner, as more fully described in Note 10.

CoMetrics: On September 1, 2015, Capital Impact Partners entered into an agreement with CoMetrics to provide a program related investment loan in the aggregate principal amount of \$300,000 to finance its business and operations, consistent with its cooperative purposes, as more fully described in Note 10. Prior to May 2015, one of Capital Impact Partners' employees served on the board of CoMetrics. In 2017, the Capital Impact Partners Board of Directors chairperson is the Board chairperson, owner-member and consultant for CoMetrics. This director retired from the Capital Impact Partners Board of Directors in 2018.

Develop Detroit: In 2018, Capital Impact Partners entered into an agreement to invest \$500,000 in Develop Detroit, a nonprofit developer in Detroit, Michigan. The balance recorded as of December 31, 2019 and 2018 was \$475,997 and \$500,000, respectively. A member of Capital Impact Partners executive management is a board member of the Housing Partnership Network, in which Develop Detroit is a lending affiliate within the Housing Partner Network.

Workforce Affordable Housing Fund I, LLC: In July 2019, Capital Impact Partners became a 96% non-controlling member in the Investment in Workforce Affordable Housing Fund I, LLC. The NHP Foundation is the 4% controlling member. A member of Capital Impact Partners executive management team is a trustee of The NHP Foundation. During the year ended December 31, 2019, Capital Impact Partners made capital contributions of \$29,837,174. For the year ended December 31, 2019, Capital Impact Partners allocated income was \$145,650.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 16. Related Party Transactions (Continued)

Other: In the normal course of business, members of the Capital Impact Partners Board of Directors may be related to cooperatives receiving or eligible to receive loans. Capital Impact Partners has conflict of interest policies, which require, among other things, that a board member be disassociated from decisions that pose a conflict of interest, or the appearance of a conflict of interest.

Loans to applicants who are affiliated with a member of Capital Impact Partners are subject to the same eligibility and credit criteria, as well as the same loan terms and conditions, as all other loan requests. Any new loan made to an organization related to a member of the Board is reported to the Finance, Audit and Risk Committee at the next regular meeting. An analysis of the activity during the years ended December 31, 2019 and 2018, for the aggregate amount of these loans is as follows:

Balance, December 31, 2017	\$ 23,596,450
Net changes	4,324,840
Balance, December 31, 2018	27,921,290
Net changes	(718,084)
Balance, December 31, 2019	<u>\$ 27,203,206</u>

Note 17. New Markets Tax Credit Program (NMTC)

During 2005, Capital Impact Partners implemented its NMTC program and has 31 and 33 Limited Liability Companies (LLCs) that are CDEs, through December 31, 2019 and 2018, respectively.

The LLCs were formed to obtain qualified equity investments from investors and make qualified investments in Qualified Active Low-Income Community Businesses (QALICB) in accordance with the terms of the NMTC program pursuant to Section 45D of the Internal Revenue Code. Investors made capital contributions of approximately \$25,000,000 and \$44,000,000 to these LLCs during 2019 and 2018, respectively, in anticipation of receiving new markets tax credits of approximately \$9,750,000 and \$17,160,000 in 2019 and 2018, respectively. Capital Impact Partners serves as the managing member of these LLCs, contributed nominal capital and has financial interests in the NMTC entities noted below.

During 2019, four of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a loss of \$11,844, which is reflected in the statement of activities for the year ended December 31, 2019.

During 2018, nine of the NMTC entities reached their seven-year transaction period and were completely dissolved. In connection with the dissolution of these entities, Capital Impact Partners incurred a gain of \$94,891, which is reflected in the statement of activities for the year ended December 31, 2018.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. New Markets Tax Credit Program (NMTC) (Continued)

Capital Impact Partners serves as the managing member of the following deals which includes deals with Chase NMTC entities below:

Impact CDE 41 LLC	Impact CDE 57 LLC
Impact CDE 42 LLC	Impact CDE 58 LLC
Impact CDE 43 LLC	Impact CDE 59 LLC
Impact CDE 44 LLC	Impact CDE 60 LLC
Impact CDE 45 LLC	Impact CDE 61 LLC
Impact CDE 46 LLC	Impact CDE 62 LLC
Impact CDE 47 LLC	Impact CDE 63 LLC
Impact CDE 48 LLC	Impact CDE 64 LLC
Impact CDE 49 LLC	Impact CDE 65 LLC
Impact CDE 50 LLC	Impact CDE 66 LLC
Impact CDE 51 LLC	Impact CDE 67 LLC
Impact CDE 52 LLC	Impact CDE 68 LLC
Impact CDE 53 LLC	Impact CDE 69 LLC
Impact CDE 54 LLC	Impact CDE 70 LLC
Impact CDE 55 LLC	Impact CDE 71 LLC
Impact CDE 56 LLC	

At December 31, 2019 and 2018, Capital Impact Partners had a .01% interest in each of the above entities.

The total amount of the investment is as follows:

	Amount of Investment 2019	Amount of Investment 2018
Capital Impact Partners New Markets Tax Credit Entities	\$ 20,859	\$ 31,748
Chase New Markets Tax Credit Entities	-	238
	<u>\$ 20,859</u>	<u>\$ 31,986</u>

The following is a summary of the audited financial information of these companies as of and for the years ended December 31, 2019 and 2018:

	2019	2018
Total assets	\$ 208,082,918	\$ 215,906,424
Total liabilities	179,053	6,420,448
Members' capital	207,903,865	209,485,976
Total revenue	6,305,070	7,828,800
Total expenses	2,812,338	9,252,282
Net income (loss)	3,492,732	(1,423,482)

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 17. New Markets Tax Credit Program (NMTC) (Continued)

Under the agreements with the LLCs, Capital Impact Partners earns fees for its initial services including investor syndication, LLC organization, loan origination, NMTC sub-allocation, etc. Capital Impact Partners also earns continuing fees for loan servicing. As explained in Note 15, material revenue streams recognized at a point in time or recognized over time are reported separately on the statement of activities. During the years ended December 31, 2019 and 2018, Capital Impact Partners earned \$1,005,655 and \$1,153,075, respectively, of servicing fees from these LLCs. In addition, Capital Impact Partners reflected accounts receivable of \$8,025 and \$28,478, as of December 31, 2019 and 2018 respectively.

In most of the agreements with the LLCs, Capital Impact Partners could be responsible for reimbursing the LLCs in the event of recapture and/or loss of the tax credits for failure to comply with Section 45D of the Internal Revenue Code as a result of errors made by Capital Impact Partners in its role as Managing Member. In most cases, the amount of reimbursement is limited to fees received or a multiple thereof. Capital Impact Partners has retained qualified consultants and implemented control systems to minimize the potential of any such recapture. Management believes the likelihood of recapture is remote and no liabilities have been recorded as of December 31, 2019 and 2018.

Capital Impact Partners was awarded its seventh NMTC allocation in the amount of \$65,000,000 in February 2018, bringing the total NMTC allocation to \$627,000,000.

Note 18. Commitments and Contingencies

Capital Impact Partners is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers or business partners. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of these instruments reflect the extent of Capital Impact Partners' involvement in these particular classes of financial instruments. Capital Impact Partners' exposure to credit loss, in the event of nonperformance by the other party, is represented by the contractual or notional amount of those instruments. Capital Impact Partners uses the same credit policies in making commitments and conditional obligations as they do for on-balance sheet instruments.

In the normal course of business, Capital Impact Partners makes commitments to extend term loans, BPAs and lines of credit, which are not reflected in the accompanying financial statements. The commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Capital Impact Partners evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Capital Impact Partners upon extension of credit, is based on management's credit evaluation of the borrower. At December 31, 2019 and 2018, these outstanding commitments totaled \$48,671,002 and \$24,815,955, respectively.

Note 19. Employee Benefits

Capital Impact Partners' employees participate in the non-contributory defined contribution retirement plan and the 401(k) plan. Under the non-contributory defined contribution retirement plan, Capital Impact Partners contributes 6% of a participant's annual salary into the plan. Total expenses for the retirement plans for the years ended December 31, 2019 and 2018 were \$495,614 and \$512,605, respectively. The employee thrift plan is organized under IRS Code Section 401(k) and Capital Impact Partners contributes up to 6% of each participant's annual salary. Contributions and expenses were \$580,172 and \$515,622 for 2019 and 2018, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 20. Fair Value

Fair value measurements: Capital Impact Partners uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with accounting guidance, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for Capital Impact Partners' various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

If there has been a significant decrease in the volume and the level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities;

Level 2: Valuation is determined from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3: Valuation is derived from model-based and other techniques in which one significant input is unobservable in the market and which may be based on Capital Impact Partners' own estimates about assumptions that a market participant would use to value the asset or liability.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 20. Fair Value (Continued)

Fair value on a recurring basis: The table below presents the financial assets measured at fair value on a recurring basis:

	December 31, 2019	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	\$ 310,282	\$ 310,282	\$ -	\$ -
Real estate investment trust	1,404,880	-	-	1,404,880
Other investments	281,803	-	-	281,803
Mortgage Backed Securities	68,510,873	-	68,510,873	-
U.S. Treasury Securities	955,700	-	955,700	-
	<u>\$ 71,463,538</u>	<u>\$ 310,282</u>	<u>\$ 69,466,573</u>	<u>\$ 1,686,683</u>
	December 31, 2018	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	\$ 236,512	\$ 236,512	\$ -	\$ -
Real estate investment trust	1,568,721	-	-	1,568,721
Other investments	531,244	-	-	531,244
Mortgage Backed Securities	52,138,697	-	52,138,697	-
U.S. Treasury Securities	951,330	-	951,330	-
U.S. Treasury Bills	13,031,708	-	13,031,708	-
	<u>\$ 68,458,212</u>	<u>\$ 236,512</u>	<u>\$ 66,121,735</u>	<u>\$ 2,099,965</u>

The following is a description of the valuation methodologies used for instruments measured at fair value. These valuation methodologies were applied to all of Capital Impact Partners' financial assets that are carried at fair value on a recurring basis.

Marketable equity securities: The fair value of these securities is the market value based on quoted market prices, or market prices provided by recognized broker dealers. Therefore, these assets are classified as Level 1.

Real estate investment trust (REIT): The fair value of the REIT is based upon a dividend yield capitalization method of establishing fair value developed by the REIT and communicated to its investors. It reflects the nature of the REIT's business, and measures the REIT's ability to produce cash flow to pay dividends. Under the dividend yield capitalization methodology, the expected dividends for the upcoming 12 months are projected, imputing a dividend payout ratio of 90%. This imputed forward-looking dividend is then capitalized at the Dow Jones Corporate Financials Index yield – a composite of 32, long-term bond issuances from established, creditworthy financial institutions. Fair value is derived by capitalizing the projected dividend per share at this market yield and is also supported by the REIT's net asset valuation (NAV) under the rational that, the REIT is, at a minimum, worth the liquidation value of its assets. Therefore, these assets are classified as Level 3 and use Level 3 inputs to fair value.

Mortgage Backed and U.S. Treasury Securities: These securities receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted market prices in active markets for identical assets. The fair value is determined using models and other valuation methodologies, which are corroborated by market data.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 20. Fair Value (Continued)

Other investments: The fair value of other investments is generally based upon the ending capital value evidenced by the issuers' K-1 or audited financial statements. In some instances, equity method is used as most closely approximating fair value. Therefore, these assets are classified as Level 3.

There was no change in the valuation techniques used to measure fair value of investments in the years ended December 31, 2019 and 2018.

Changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	2019	2018
Beginning balance at January 1	\$ 2,099,965	\$ 1,849,326
Total net (losses) gains included in change in net assets	(113,637)	250,639
Purchases	-	-
Sales	(299,645)	-
Ending balance at December 31	<u>\$ 1,686,683</u>	<u>\$ 2,099,965</u>

Fair value on a nonrecurring basis: Certain financial instruments and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The table below presents the assets measured at fair value on a nonrecurring basis.

	December 31, 2019	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	<u>\$ 261,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,067</u>
	December 31, 2018	Level 1	Level 2	Level 3
Assets:				
Impaired loans, net of specific reserves	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Impaired Loans Net of Specific Reserves, which are measured for impairment using the loan's observable market price or the fair value of the collateral for collateral-dependent loans. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Based on this information, impaired loans, net of specific reserves, are valued using Level 3 inputs. The valuation allowance for impaired loans is included in the allowance for loan losses in the statements of financial position.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 21. Noncontrolling Interest in Consolidated Subsidiaries

Capital Impact Partners presents the noncontrolling interest in CIIF and CIIF II, its consolidated subsidiaries, as a separate line item within net assets in the statement of financial position.

CIIF began operations on December 13, 2017. CIIF II began operations on December 28, 2018.

A summary of the 2019 and 2018 activity follows:

	CIIF		
	CIP	Annaly	Total
Balance, December 31, 2017	\$ 5,026,015	\$ 20,104,251	\$ 25,130,266
Contributions	-	-	-
Net income	339,019	980,391	1,319,410
Distributions	(339,019)	(980,563)	(1,319,582)
Balance, December 31, 2018	5,026,015	20,104,079	25,130,094
Contributions	-	-	-
Net income	297,888	955,100	1,252,988
Distributions	(256,794)	(955,100)	(1,211,894)
Balance, December 31, 2019	\$ 5,067,109	\$ 20,104,079	\$ 25,171,188

Distributions of \$252,030 and \$246,659 were payable from CIIF to Annaly as of December 31, 2019 and 2018, respectively.

	CIIF II		
	CIP	Annaly	Total
Balance, December 31, 2017	\$ -	\$ -	\$ -
Contributions	1,225,000	4,900,000	6,125,000
Net income	447	2,220	2,667
Distributions	(447)	(2,220)	(2,667)
Balance, December 31, 2018	1,225,000	4,900,000	6,125,000
Contributions	1,275,000	5,100,000	6,375,000
Net income	70,573	384,704	455,277
Distributions	(13,325)	(384,704)	(398,029)
Balance, December 31, 2019	\$ 2,557,248	\$ 10,000,000	\$ 12,557,248

Distributions of \$73,144 and \$2,220 were payable from CIIF II to Annaly as of December 31, 2019 and 2018, respectively.

Capital Impact Partners and Subsidiaries

Notes to Consolidated Financial Statements

Note 22. Subsequent Events

Capital Impact Partners has evaluated its subsequent events (events occurring after December 31, 2019) through March 25, 2020, which represents the date the financial statements were issued.

Annaly and Capital Impact Partners executed an agreement and plan of merger, effective January 1, 2020, to merge CIIF II into CIIF. A 10% equity contribution of \$3,763,007 by Capital Impact Partners increased its managing member ownership to 30% and reduced Annaly's non-managing member ownership to 70%.

Capital Impact Partners was selected as a Housing Preservation Fund Program Manager. In January 2020, the D.C. Department of Housing and Community Development awarded \$3,333,333 of Housing Preservation Fund appropriations to Capital Impact Partners to finance affordable housing preservation activities in the District of Columbia.

On March 10, 2020, Capital Impact Partners signed a 1 year space usage license for office space in Austin, Texas. The space usage license commences on April 1, 2020 and rent is payable at \$1,755 per month.

On March 10, 2020, the President declared that the coronavirus outbreak in the United States constitutes a national emergency. Capital Impact Partner's business could be materially and adversely affected by a widespread health epidemic, such as the 2020 coronavirus outbreak. The implications could be more severe if located in regions where we derive a significant amount of our loan-portfolio revenue. The occurrence of such an outbreak or other adverse public health development could materially disrupt our business and other businesses, including governmental offices, private foundations and Capital Impact Partners' borrowers. If U.S. federal, state or local governments are closed, timely awards of federal, state and local program funds that Capital Impact has applied for or may apply for in the future may not be made, which could adversely affect Capital Impact Partners. Finally, the outbreak of a widespread health epidemic or pandemic, such as the 2020 coronavirus outbreak, may lead to volatility and disruption in global financial markets, which could adversely affect our ability to obtain financing to execute our business plan and increase the volatility of the daily mark-to-market values of the underlying securities in its mortgage-backed securities portfolio. The extent to which the coronavirus outbreak impacts Capital Impact Partner's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus outbreak and actions taken to contain the coronavirus outbreak or its impact, among others.

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position December 31, 2019

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Assets							
Cash and cash equivalents – unrestricted	\$ 31,099,643	\$ 2,162,254	\$ 222,411	\$ 4,919,398	\$ 2,455,507	\$ -	\$ 40,859,213
Cash and cash equivalents – restricted	31,936,986	243,937	-	-	-	-	32,180,923
Accounts and interest receivable	2,674,017	97,822	124,341	111,944	66,118	(277,651)	2,796,591
Contributions receivable	1,925,000	-	-	-	-	-	1,925,000
Investments	46,348,491	-	-	-	-	(7,642,665)	38,705,826
Mortgage Backed and U.S. Treasury Securities	69,466,573	-	-	-	-	-	69,466,573
Loans receivable	371,351,435	-	-	-	-	-	371,351,435
Less: allowance for loan losses	(13,154,705)	-	-	-	-	-	(13,154,705)
Loans receivable, net	358,196,730	-	-	-	-	-	358,196,730
Loans receivable – subsidiaries	-	22,605,212	21,616,068	24,291,154	10,137,903	(44,816,442)	33,833,895
Other assets	6,722,820	-	-	-	-	(3,763,007)	2,959,813
Right of use assets	10,794,995	-	-	-	-	-	10,794,995
						-	
Total assets	\$ 559,165,255	\$ 25,109,225	\$ 21,962,820	\$ 29,322,496	\$ 12,659,528	\$ (56,499,765)	\$ 591,719,559
Liabilities and Net Assets							
Liabilities:							
Accounts payable and accrued expenses	\$ 2,616,452	\$ 94,916	\$ 119,521	\$ 4,151,308	\$ 102,280	\$ (4,040,657)	\$ 3,043,820
Refundable advance liability	7,245,759	-	-	-	-	-	7,245,759
Due to subsidiaries	34,429,057	-	-	-	-	(34,429,057)	-
Revolving lines of credit	54,000,000	-	-	-	-	-	54,000,000
Notes payable	70,655,976	-	-	-	-	-	70,655,976
Investor Notes, net	134,570,907	-	-	-	-	-	134,570,907
Subordinated debt	2,500,000	-	-	-	-	-	2,500,000
Federal Home Loan Bank borrowing	47,271,304	-	-	-	-	-	47,271,304
Bond loan payable	58,908,325	-	-	-	-	-	58,908,325
Notes payable – subsidiaries	-	24,677,333	21,616,068	-	-	(10,387,385)	35,906,016
Lease liabilities	13,208,278	-	-	-	-	-	13,208,278
Total liabilities	425,406,058	24,772,249	21,735,589	4,151,308	102,280	(48,857,099)	427,310,385
Net assets:							
Without donor restrictions	106,313,512	336,976	227,231	-	-	(18,309)	106,859,410
Noncontrolling interest in consolidated subsidiaries	-	-	-	25,171,188	12,557,248	(7,624,357)	30,104,079
Total without donor restrictions	106,313,512	336,976	227,231	25,171,188	12,557,248	(7,642,666)	136,963,489
With donor restrictions	27,445,685	-	-	-	-	-	27,445,685
Total net assets	133,759,197	336,976	227,231	25,171,188	12,557,248	(7,642,666)	164,409,174
Total liabilities and net assets	\$ 559,165,255	\$ 25,109,225	\$ 21,962,820	\$ 29,322,496	\$ 12,659,528	\$ (56,499,765)	\$ 591,719,559

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2019

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund, LLC	Community Investment Impact Fund II, LLC	Eliminations	Total
Changes in net assets without donor restrictions:							
Financial activity:							
Financial income:							
Interest income on loans	\$ 19,148,417	\$ 1,057,905	\$ 1,354,682	\$ 1,484,698	\$ 533,917	\$ (461,546)	\$ 23,118,073
Loan fees	969,855	-	19,721	-	-	-	989,576
Investments income, net	4,657,872	26,196	1,734	8,622	13,673	(386,769)	4,321,328
Loss on equity method investments	(181,184)	-	-	-	-	-	(181,184)
Loss on NMTC unwind	(11,844)	-	-	-	-	-	(11,844)
Total financial income	24,583,116	1,084,101	1,376,137	1,493,320	547,590	(848,315)	28,235,949
Financial expense:							
Interest expense	9,922,053	667,202	847,879	-	-	(461,546)	10,975,588
Provision for loan losses	1,631,866	-	-	-	-	-	1,631,866
Total financial expense	11,553,919	667,202	847,879	-	-	(461,546)	12,607,454
Net financial income	13,029,197	416,899	528,258	1,493,320	547,590	(386,769)	15,628,495
Revenue and support:							
Loan servicing fees	2,308,810	-	-	-	-	(889,102)	1,419,708
Fees	1,546,520	-	-	-	-	(275,723)	1,270,797
Other income	107,678	-	-	532	100	-	108,310
Net assets released from donor restrictions	6,958,858	-	-	-	-	-	6,958,858
Total revenue and support	10,921,866	-	-	532	100	(1,164,825)	9,757,673
Expenses:							
Innovative community lending program	11,188,333	420,319	463,849	238,125	92,413	(1,164,825)	11,238,214
Total program expenses	11,188,333	420,319	463,849	238,125	92,413	(1,164,825)	11,238,214
Support expenses:							
Management and general	10,227,109	-	-	2,739	-	-	10,229,848
Fundraising	899,203	-	-	-	-	-	899,203
Total expenses	22,314,645	420,319	463,849	240,864	92,413	(1,164,825)	22,367,265
Change in net assets without donor restrictions before non-operating and non controlling interest activities	1,636,418	(3,420)	64,409	1,252,988	455,277	(386,769)	3,018,903
Noncontrolling interest – capital contribution	-	-	-	-	6,375,000	(1,275,000)	5,100,000
Noncontrolling interest – distribution	-	-	-	(1,211,894)	(398,029)	270,119	(1,339,804)
Change in net assets without donor restrictions	1,636,418	(3,420)	64,409	41,094	6,432,248	(1,391,650)	6,779,099
Change in net assets with donor restrictions:							
Investment income, net	249,945	-	-	-	-	-	249,945
Grant revenue	4,437,574	-	-	-	-	-	4,437,574
Net assets released from donor restrictions	(6,958,858)	-	-	-	-	-	(6,958,858)
Change in net assets with donor restrictions	(2,271,339)	-	-	-	-	-	(2,271,339)
Change in net assets	(634,921)	(3,420)	64,409	41,094	6,432,248	(1,391,650)	4,507,760
Net assets, beginning	134,394,118	340,396	162,822	25,130,094	6,125,000	(6,251,016)	159,901,414
Net assets, ending	\$ 133,759,197	\$ 336,976	\$ 227,231	\$ 25,171,188	\$ 12,557,248	\$ (7,642,666)	\$ 164,409,174

The following consolidated entities did not have 2019 activity:

- 1) Community Solutions Group, LLC
- 2) NCBCI Education Conduit, LLC
- 3) Impact NMTC Holdings II, LLC
- 4) Woodward Corridor Investment Fund, LLC.

Capital Impact Partners and Subsidiaries

Consolidating Statement of Financial Position December 31, 2018

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund , LLC	Community Investment Impact Fund II, LLC	Impact V CDE 7, LLC	Eliminations	Total
Assets								
Cash and cash equivalents – unrestricted	\$ 46,781,221	\$ 5,610,186	\$ 157,133	\$ 2,249,680	\$ 141	\$ -	\$ -	\$ 54,798,361
Cash and cash equivalents – restricted	31,453,735	242,537	-	-	-	-	-	31,696,272
Accounts and interest receivable	2,658,202	82,921	115,899	129,641	3,029	-	(131,634)	2,858,058
Contributions receivable	7,900,000	-	-	-	-	-	-	7,900,000
Investments	13,361,164	-	-	-	-	-	(6,251,015)	7,110,149
Mortgage Backed and U.S. Treasury Securities	53,090,027	-	-	-	-	-	-	53,090,027
Loans receivable	347,634,426	-	-	-	-	-	-	347,634,426
Less: allowance for loan losses	(11,833,262)	-	-	-	-	-	-	(11,833,262)
Loans receivable, net	335,801,164	-	-	-	-	-	-	335,801,164
Loans receivable – subsidiaries	-	19,171,724	23,928,207	23,146,378	6,125,000	-	(39,889,977)	32,481,332
Other assets	2,983,074	-	-	-	-	-	-	2,983,074
Total assets	\$ 494,028,587	\$ 25,107,368	\$ 24,201,239	\$ 25,525,699	\$ 6,128,170	\$ -	\$ (46,272,626)	\$ 528,718,437
Liabilities and Net Assets								
Liabilities:								
Accounts payable and accrued expenses	\$ 3,924,312	\$ 89,639	\$ 110,210	\$ 395,605	\$ 3,170	\$ -	\$ (131,634)	\$ 4,391,302
Refundable advance liability	4,650,000	-	-	-	-	-	-	4,650,000
Deferred rent and tenant allowance	2,036,402	-	-	-	-	-	-	2,036,402
Due to subsidiaries	29,271,378	-	-	-	-	-	(29,271,378)	-
Revolving lines of credit	75,000,000	-	-	-	-	-	-	75,000,000
Notes payable	76,752,847	-	-	-	-	-	-	76,752,847
Investor Notes, net	98,237,284	-	-	-	-	-	-	98,237,284
Subordinated debt	10,718,000	-	-	-	-	-	-	10,718,000
Federal Home Loan Bank borrowing	11,000,000	-	-	-	-	-	-	11,000,000
Bond loan payable	48,044,247	-	-	-	-	-	-	48,044,247
Notes payable – subsidiaries	-	24,677,333	23,928,207	-	-	-	(10,618,599)	37,986,941
Total liabilities	359,634,470	24,766,972	24,038,417	395,605	3,170	-	(40,021,611)	368,817,023
Net assets:								
Without donor restrictions	104,677,093	340,396	162,822	-	-	-	-	105,180,311
Noncontrolling interest in consolidated subsidiaries	-	-	-	25,130,094	6,125,000	-	(6,251,015)	25,004,079
Total without donor restrictions	104,677,093	340,396	162,822	25,130,094	6,125,000	-	(6,251,015)	130,184,390
With donor restrictions	29,717,024	-	-	-	-	-	-	29,717,024
Total net assets	134,394,117	340,396	162,822	25,130,094	6,125,000	-	(6,251,015)	159,901,414
Total liabilities and net assets	\$ 494,028,587	\$ 25,107,368	\$ 24,201,239	\$ 25,525,699	\$ 6,128,170	\$ -	\$ (46,272,626)	\$ 528,718,437

Capital Impact Partners and Subsidiaries

Consolidating Statement of Activities Year Ended December 31, 2018

	Capital Impact Partners	Detroit Neighborhood Fund, LLC	FPIF, LLC	Community Investment Impact Fund, LLC	Community Investment Impact Fund II, LLC	Impact V CDE 7	Eliminations	Total
Changes in net assets without donor restrictions:								
Financial activity:								
Financial income:								
Interest income on loans	\$ 17,787,589	\$ 1,225,771	\$ 1,375,189	\$ 1,559,799	\$ 3,029	\$ 79,743	\$ (461,661)	\$ 21,569,459
Loan fees	583,124	103,308	-	-	-	-	-	686,432
Investments income, net	1,235,448	6,097	929	4,989	141	7	(326,890)	920,721
Loss on equity method investments	(92,493)	-	-	-	-	-	-	(92,493)
Gain on NMTC unwind	94,891	-	-	-	-	-	-	94,891
Total financial income	19,608,559	1,335,176	1,376,118	1,564,788	3,170	79,750	(788,551)	23,179,010
Financial expense:								
Interest expense	8,761,631	663,574	860,407	-	-	75,448	(461,661)	9,899,399
Provision for loan losses	850,353	-	-	-	-	-	-	850,353
Bad debt expense	146,893	-	-	-	-	-	-	146,893
Total financial expense	9,758,877	663,574	860,407	-	-	75,448	(461,661)	10,896,645
Net financial income	9,849,682	671,602	515,711	1,564,788	3,170	4,302	(326,890)	12,282,365
Revenue and support:								
Loan servicing fees	2,533,502	-	-	-	-	-	(879,940)	1,653,562
Fees	3,508,712	-	-	-	-	-	(280,051)	3,228,661
Contract revenue	1,143	-	-	-	-	-	-	1,143
Other income	6,843	-	100	335	-	-	-	7,278
Net assets released from donor restrictions	5,304,316	-	-	-	-	-	-	5,304,316
Total revenue and support	11,354,516	-	100	335	-	-	(1,159,991)	10,194,960
Expenses:								
Innovative community lending program	11,136,822	481,044	451,051	245,713	503	21,891	(1,159,991)	11,177,033
Technical assistance	-	-	-	-	-	-	-	-
Total program expenses	11,136,822	481,044	451,051	245,713	503	21,891	(1,159,991)	11,177,033
Support expenses:								
Management and general	9,077,413	-	-	-	-	-	-	9,077,413
Fundraising	690,416	-	-	-	-	-	-	690,416
Total expenses	20,904,651	481,044	451,051	245,713	503	21,891	(1,159,991)	20,944,862
Change in net assets before non-operating items and noncontrolling interest activities	299,547	190,558	64,760	1,319,410	2,667	(17,589)	(326,890)	1,532,463
Gain on extinguishment of office vacating agreement	1,937,432	-	-	-	-	-	-	1,937,432
Noncontrolling interest – capital contribution	-	-	-	-	6,125,000	-	(1,225,000)	4,900,000
Noncontrolling interest – distribution	-	-	-	(1,319,582)	(2,667)	-	339,466	(982,783)
Change in net assets without donor restrictions	2,236,979	190,558	64,760	(172)	6,125,000	(17,589)	(1,212,424)	7,387,112
Change in net assets with donor restrictions:								
Investment income, net	152,650	-	-	-	-	-	-	152,650
Grant revenue	16,576,231	-	-	-	-	-	-	16,576,231
Net assets released from donor restrictions	(5,304,316)	-	-	-	-	-	-	(5,304,316)
Change in net assets with donor restrictions	11,424,565	-	-	-	-	-	-	11,424,565
Change in net assets	13,661,544	190,558	64,760	(172)	6,125,000	(17,589)	(1,212,424)	18,811,677
Net assets, beginning	120,732,573	149,838	98,062	25,130,266	-	17,589	(5,038,591)	141,089,737
Net assets, ending	\$ 134,394,117	\$ 340,396	\$ 162,822	\$ 25,130,094	\$ 6,125,000	\$ -	\$ (6,251,015)	\$ 159,901,414

The following consolidated entities did not have 2018 activity:

- 1) Community Solutions Group, LLC
- 2) NCBCI Education Conduit, LLC
- 3) Impact NMTC Holdings II, LLC
- 4) Woodward Corridor Investment Fund, LLC.